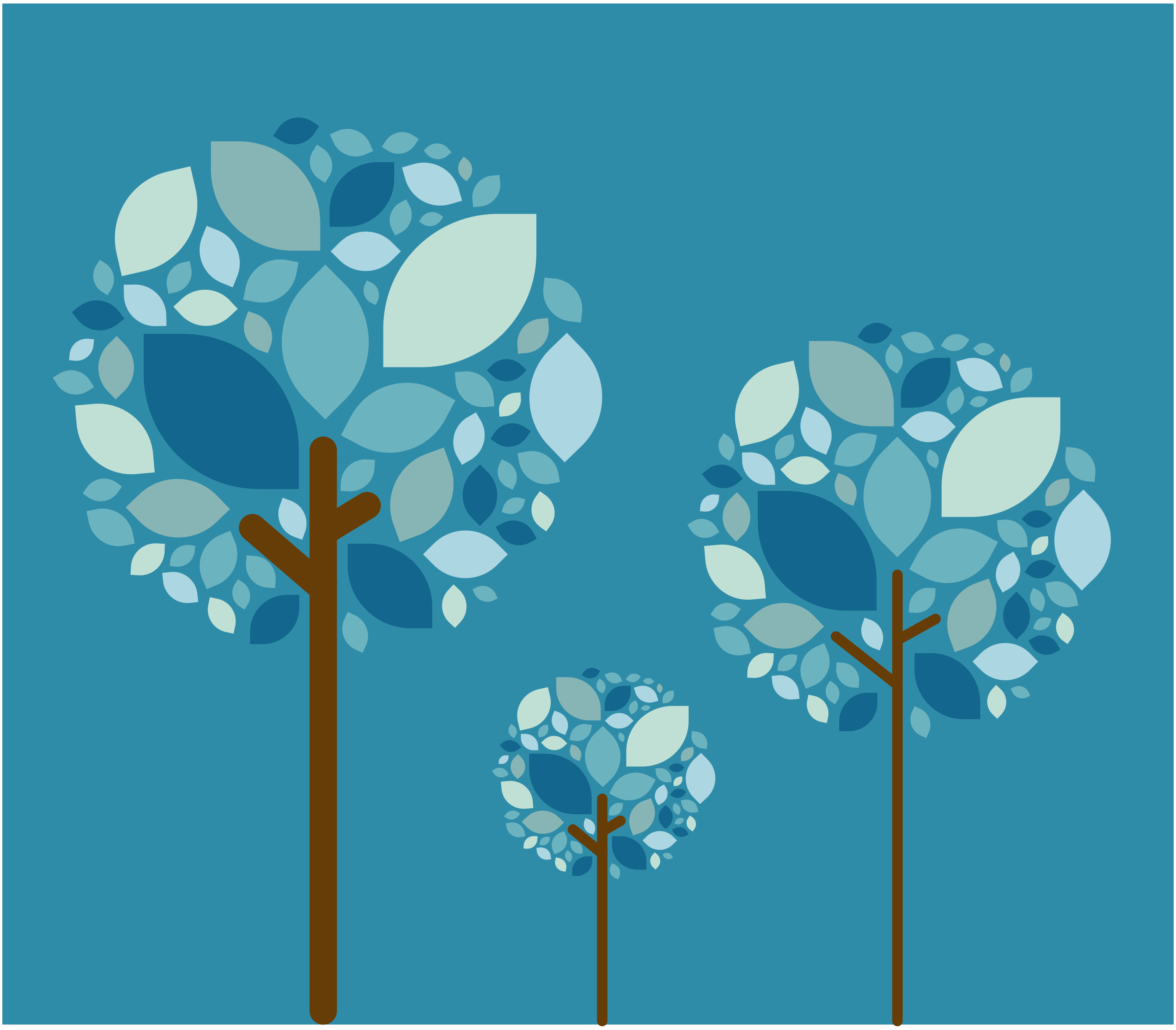
Waltham Forest Council

Statement of Accounts 2010/11



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Waltham Forest

LONDON BOROUGH OF WALTHAM FOREST

STATEMENT OF ACCOUNTS

2010/11

Subject to
Audit and Member Approval

John Raisin CPFA,
Director of Finance
Finance Department
Waltham Forest Town Hall, London E17 4JF

LONDON BOROUGH OF WALTHAM FOREST
STATEMENT OF ACCOUNTS
FOR YEAR ENDED 31 MARCH 2011

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THE EXPLANATORY FOREWORD

Introduction from the Responsible Finance Officer

I am pleased to introduce the Council's Statement of Accounts for the financial year 2010/11. It is the first time that the Council's Statements have been prepared under International Financial Reporting Standards (IFRS) and they are markedly different from previous years. Despite the additional work arising from complying with IFRS once again the accounts have been produced promptly in accordance with the statutory timetable and to a high standard. This would not have been possible without the hard work of all finance staff across the Council and I wish to record my thanks to all staff for their assistance in the preparation of these accounts and for their support throughout the year.

This publication incorporates all financial statements and disclosure notes required to comply with the legislative and regulatory framework set out in 'The Code of Practice on Local Authority Accounting in the United Kingdom' (the Code).

The Code defines proper accounting practices for all local authorities including the layout of accounts, items to be disclosed in the statements and notes, and terminology to be used. Where the Code allows discretion, plain language has been used and additional information provided where it will aid the readers understanding. A glossary is included in the final section with definitions of the specialised accounting terms used to make it easier for readers to understand.

The 2010 Code has introduced a considerable number of changes arising from complying with IFRS and these are detailed in an appendix at the end of this foreword. Because of the significant number and nature of the changes the 2009/10 comparator figures have been restated in the Statements and notes. The appendix also contains reconciliations that show the movement between the previously published 2009/10 Income and Expenditure statement, 2008/09 and 2009/10 Balance Sheets to the IFRS restated statements.

THE STATEMENT OF ACCOUNTS

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances.

INDEPENDENT EXTERNAL AUDITOR'S REPORT

The Statement of Accounts includes a report to Members by the Independent Auditor, for Waltham Forest this is the Audit Commission. This report lays down the legislative requirement in relation to the individual responsibilities of both the Director of Finance and that of the External Auditor. The Auditor is required to provide an opinion as to whether the Authority and Group Statements give a 'true and fair' view of the financial position of the Authority and its income and expenditure for the year. The Auditor's opinion is given on the conclusion of the audit and is included in the approved Statement of Accounts that are required to be published by 30 September.

This Statement of Accounts comprises 9 sections, which are briefly explained below:

1. REVIEW AND STATUTORY CERTIFICATION

Financial Review
This section is the Director of Finance's review of the financial performance and identifies the general revenue and capital expenditure during the year. The review also documents the amount of borrowing undertaken by the Council during the year, showing the net debt position for the end of the last two financial years.

The Financial Review also comments upon the change in balance sheet position as well as commenting upon the Pension and Collection Fund Accounts. The Director also comments upon the outlook and key financial challenges that face the Council.

Statement of Responsibilities
This section documents both the Council's and Director of Finance's procedural and financial responsibilities in the preparation of the Statement of Accounts. As the Section 151 Officer, the Director is required to certify that the Statement of Accounts gives a true and fair view of the financial position of the Council and authorises its issue, no later than 30 September.

Approval of the Statement of Accounts
The Audit and Governance Committee is charged with governance and is required to approve the Statement of Accounts after considering the external auditor's annual governance statement no later than 30 September. The Chair of the Audit and Governance Committee is then required to sign the approval of the Statement of Accounts.

2. STATEMENT OF ACCOUNTING POLICIES

This section explains the accounting principles on which the accounts have been prepared and their compliance with legislation and the regulatory framework. The Authority's approved accounting policies are set out in this section. The accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice and compliant to International Financial Reporting Standards and Best Value Accounting Code of Practice (BVACOP), which are recognised by statute as representing proper accounting practice.

3. CORE FINANCIAL STATEMENTS

There have been significant changes to the format of the Statement of Accounts and associated notes to the accounts as a result of adapting International Financial Reporting Standards. One of the major changes is the new prominence and format of the Movement in Reserves Statement. As a consequence of this emphasis this is the first core financial statement within the accounts.

Movement in Reserves Statement (MiRS)
The MiRS summarises the changes that have taken place within the 'bottom half' of the Balance Sheet over the financial year. This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax

setting and dwellings rent setting purposes. The net increase or decrease, before transfers to earmarked reserves line, shows the statutory General Fund Balance and Housing Revenue Account Balance, before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The MiRS identifies the increase or decrease in the net worth of the Authority as a result of incurring expenses and generating income. It will also identify whether there has been an increase (or decrease) in the net worth of the Authority as a result of movements in the fair value of its assets and by analysing the movement between reserves will show an increase (or reduction) in the resources available to the Authority in accordance with statutory provisions.

Adjustments between accounting and funding basis
The crucial line in the MiRS is the one containing adjustments between the accounting basis and the funding basis under regulations. As local authorities are tax-raising bodies, they are subject to specific rules as to how tax rates are to be set in relation to the income and expenses of the authority. In significant instances, these rules will differ substantially from proper accounting practices, in particular, where expenditure is incurred in advance of cash flowing out of the authority, the need to raise tax is sometimes deferred until the cash flow actually take place.

The most substantial example is the treatment of post-retirement benefits. Proper accounting practice accrues the cost of these benefits as employees earn them through years of service. However, tax is raised to cover employers' contributions paid to pension funds and any direct payments made to pensioners. Where a change in proper accounting practices might have a disruptive effect on tax levels, statutory provisions can preserve the previous accounting treatment for existing transactions and sometimes extend it to future transactions. For example, the implementation of the Code's provisions on financial instruments was accompanied by regulations and statutory guidance that required the impact on tax to be determined by the contractual amounts payable rather than the expenses determined for each financial year by the Code.

Comprehensive Income and Expenditure Statement
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
The Comprehensive Income and Expenditure Statement was previously called the Income and Expenditure Account. Whilst the new account is fundamentally the same, namely, it represents the net surplus / deficit for the year; there are presentational changes to its format.

The statement of total recognised gains and losses (STRGL) is no longer required and as a result certain elements within that statement have been included within the new comprehensive income and expenditure statement. As a result of these presentational changes, the 2009/10 figures have been restated to reflect these changes.

Balance Sheet
The Balance Sheet shows the value of the assets and liabilities recognised by the authority as at 31 March. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory

limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are those which the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. These presentational changes have resulted in restating the 2009/10 balance sheet.

Cash Flow Statement
The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

4. NOTES TO THE CORE FINANCIAL STATEMENTS
The notes are included to provide the reader of the accounts with additional financial information that is not practical to provide within the core statements. These notes give further details to the numbers given in the accounts. The information contained within the notes not only supplements financial statement information, but they clarify line items that are part of the financial statements.

5. SUPPLEMENTARY FINANCIAL STATEMENTS

Housing Revenue Account (HRA) Income and Expenditure Statement
The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

The Collection Fund
The Council is responsible for collecting Council Tax, National Non Domestic Rates (NNDR) and Business Rate Supplement (BRS). NNDR on behalf of the Government and BRS on behalf of the Greater London Authority (GLA). The Statement shows the income due for Council Tax, NNDR and BRS and its distribution. The Council Tax is distributed to its two preceptors, namely the Council and the GLA. The NNDR is paid to the Government's NNDR Pool and the BRS is paid to GLA.

6. GROUP ACCOUNTS
The Code requires local authorities to consider all their interests and prepare a full set of group financial statements and notes where it has material interests in subsidiaries, associated companies or joint ventures. The Group accounts have been restated to reflect the IFRS changes to the accounts.

7. PENSION FUND AND NET ASSET STATEMENT
The Pension Fund Statement shows the contribution made to the Council's final salary pension fund in 2010/11 and the benefits paid to its former employees. The Net Asset Statement sets out the position of the Fund as at 31 March 2011. The Council as trustee separately manages the Fund and its accounts are separate from the Council's accounts and these are audited independently from the Authority's Statement of Accounts.

8. ANNUAL GOVERNANCE STATEMENT
This statement details the internal control environment, reviews the effectiveness of those controls and highlights significant control issues. The Council has adopted the CIPFA Code of Corporate Governance, which recommends that the Authority reviews their existing governance framework, including the system of internal control, against a number of key principles and reports annually on their effectiveness in practice. If applicable, the Annual Governance Statement identifies significant governance issues and both the Chief Executive and the Leader of the Council are required to certify that where improvements are required, steps will be taken to address the need for improvement and these will be monitored as part of the next annual review.

9. GLOSSARY OF FINANCIAL TERMS
The glossary provides explanations and definitions of the financial terminology used in the Statement of Accounts.

FURTHER INFORMATION
Further information about the Council's accounts is available from the Finance Department - telephone 020 8496 4477. Copies of the Financial Review of 2010/11 can be made available in other languages and on audiotape on request.

The Council also publishes a wide range of other financial information including Summary Accounts, Budgets, the Medium Term Financial Strategy, a Council Tax Guide and the Annual Audit Letter on its website:-

www.walthamforest.gov.uk/council-finance

The Council is constantly seeking to improve communications with citizens, businesses and other stakeholders so please tell us whether this information meets your requirements or what changes or additional information you would find helpful.

John Raisin
Director of Finance

APPENDIX A

IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Working closely with our auditors in order to prepare IFRS compliant accounts for 2010/11, the Council has revised its accounting policies, changed the format and content of its financial statements and included a significant number of additional disclosures.

As a result of changes to the structure and format of the Statement of Accounts to ensure comparability and consistency in the financial information provided within the accounts, it has been necessary to restate the 2009/10 figures and recalculate the relevant balance sheet amounts. The following tables explain the differences between the amounts published in the 2009/10 Statement of Accounts and the restated figures presented in these 2010/11 Statements.

The accounts have been prepared in accordance with the updated Code of Practice on Local Authority Accounting and reflect the changes made as a result of the full implementation of IFRS.

As a result of the Accounts being based on IFRS there have been a number of key accounting changes:

1. Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable, with the exception of grants where there are conditions attached and the conditions have not yet been satisfied. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Capital grants and contributions recognised in year in the Comprehensive Income and Expenditure Statement have been shown within the Taxation and Non Specific Grant Income section.
- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.

Revenue grants and contributions have also been recognised in the Comprehensive Income and Expenditure Statement, unless conditions remain attached to the funding. Where the expenditure to be funded by the grant or contribution has not yet been incurred the funding has been appropriated to earmarked reserves until such time as it is required.

2. Short Term Accumulating Compensated Absences

Short term accumulating absences are benefits that employees receive as part of their contract of employment, entitlement to which is built up as employees provide services to the Council. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future

compensated absences. As a result, the Council is required to accrue for any annual/flexi leave earned but not taken at 31 March each year.

Under the previous accounting arrangements, no such accrual was required. The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. The most significant benefits covered by this heading are holiday pay and flexi leave. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

3. Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease, or vice versa.

In addition, under the Code, the classification of leases is subject to different criteria from those applied under the SORP. Leases are assessed against a number of indicators to determine whether substantially all the risks and rewards associated with the asset transfer to the lessee.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow it to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has 4 leases where the accounting treatment has changed following the introduction of the Code. As a consequence of classifying these leases as finance leases, the financial statements have been amended as follows:

- The Council has recognised an asset and a finance lease liability.
- The operating lease charges within the relevant service lines in the Comprehensive Income and Expenditure Statement have been reduced by the amount that relates to the repayment of principal.
- The interest element of the lease payment has been charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
- Depreciation charges have been included in the relevant service lines in the Comprehensive Income and Expenditure Statement.
- The depreciation charges have been transferred from the General Fund to the Capital Adjustment Account and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010 and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The finance lease liability on the balance sheet has been written down by an amount equal to the repayment of principal.

4. Cash and Cash Equivalents
Under the Code, any short term, highly liquid investments that are held for cashflow purposes rather than for investment gain or for capital appreciation are required to be shown as cash equivalents. As a result of this requirement the Council has reclassified some of its short term investments as cash equivalents.

5. Assets
The Code introduces a number of changes with regard to assets. The main changes that are reflected in the re-statements are:

- All gains and losses and income and expenditure relating to Investment Properties are reflected in the Comprehensive Income and Expenditure Statement. This has resulted in changes to both the revenue account and to the Revaluation Reserve and Capital Adjustment Account.

- New, stricter, criteria for Held for Sale assets. Where applicable this change has resulted in a number of assets that were previously shown as Held for Sale being re-categorised as Investment Properties, or Surplus Assets.

6. Re-categorisation
The new format of the Comprehensive Income and Expenditure Statement has resulted in a number of re-categorisations:

- Interest payable and interest receivable are shown in the Financing and Investment Income and Expenditure section

- Pensions interest cost and return on pension assets are shown in the Financing and Interest Income and Expenditure section

These were all previously shown in the Other Operating Expenditure section.

7. Segmental Reporting

There are additional requirements regarding segment reporting. However, it is pleasing to note that in previous years Waltham Forest did provide this new requirement within its Statement of Accounts. These have been further expanded to comply with the Code.

IFRS RESTATEMENT

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

An explanation of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 statements is set out in the following tables and notes.

Reconciliation to Total Comprehensive Income and Expenditure under IFRS for Year ended 31 March 2010

Table 1	Net Expenditure								
	2009/10	Effect of Transition to IFRS							2009/10
	SORP/GAAP	Recategorisation	Accumulated Absences	Grants and Contributions	Finance Leases	Cash and Cash Equivalents	Assets Held for Sale	Inv Property	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Services to the Public	4,480	0	34	3	1,303	0	0	(825)	4,995
Cultural, Environmental, Regulatory and Planning Services	50,882	0	13	(645)	(14)	0	0	0	50,236
Education and Children's Services	68,631	0	1,027	3,379	0	0	0	0	73,037
Highways and Transport Services	14,045	0	3	2,213	0	0	0	0	16,261
Local Authority Housing (HRA)	6,663	0	8	136	(188)	0	0	0	6,619
Other Housing Services	7,577	0	13	142	0	0	0	0	7,732
Adult Social Care	65,486	0	18	87	0	0	0	0	65,591
Corporate and Democratic Core	5,018	0	0	393	0	0	0	(1,624)	3,787
Non Distributed Costs	(1,297)	0	0	0	0	0	0	0	(1,297)
Cost of Services	**221,485**	**0**	**1,116**	**5,708**	**1,101**	**0**	**0**	**(2,449)**	**226,961**
Other Operating Expenditure									
Loss on Disposal of Fixed Assets	10,292	0	0	0	0	0	(1,858)	(494)	7,940
Levies	6,802	0	0	0	0	0	0	0	6,802
Housing Pooled Capital Receipts	230	0	0	0	0	0	0	0	230
Sub Total	**238,809**	**0**	**1,116**	**5,708**	**1,101**	**0**	**(1,858)**	**(2,943)**	**241,933**

IFRS RESTATEMENT continued

Reconciliation to Total Comprehensive Income and Expenditure under IFRS for Year ended 31 March 2010 continued

Table 2	Net Expenditure								
	2009/10	Effect of Transition to IFRS							2009/10
	SORP/GAAP	Recategorisation	Accumulated Absences	Grants and Contributions	Finance Leases	Cash and Cash Equivalents	Assets Held for Sale	Investment Property	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sub Total	**238,809**	**0**	**1,116**	**5,708**	**1,101**	**0**	**(1,858)**	**(2,943)**	**241,933**
Financing & Investment Income & Expenditure									
Investment income	(1,042)	0	0	0	0	0	0	0	(1,042)
Interest Payable	23,732	0	0	0	0	0	0	0	23,732
Finance lease interest received	0	0	0	0	(254)	0	0	0	(254)
Finance lease interest	0	0	0	0	709	0	0	0	709
Profit/Loss on Disposal of Investment Properties	0	0	0	0	0	0	0	494	494
Revaluation gain/loss on Investment Properties/ changes in fair value	0	0	0	0	0	0	0	2,449	2,449
Pensions Interest Cost and Expected Return on Pension Assets	20,525	0	0	0	0	0	0	0	20,525
Taxation & Non Specific Grant Income									
Capital Grants and Contributions	0	0	0	(32,996)	0	0	0	0	(32,996)
NNDR	(98,126)	0	0	0	0	0	0	0	(98,126)
Demand on the Collection Fund	(87,610)	0	0	0	0	0	0	0	(87,610)
General Government Grants	(39,915)	0	0	0	0	0	0	0	(39,915)
Surplus or Deficit on Provision of Services	**56,373**	**0**	**1,116**	**(27,288)**	**1,556**	**0**	**(1,858)**	**0**	**29,899**
Surplus or Deficit on Revaluation of Non Current Assets	(49,691)	0	0	0	3,556	0	0	0	(46,135)
Actuarial Gains/Losses on Pension Assets/Liabilities	71,556	0	0	0	0	0	0	0	71,556
Other	1								1
Other Comprehensive Income and Expenditure	**21,866**	**0**	**0**	**0**	**3,556**	**0**	**0**	**0**	**25,422**
Total Comprehensive Income and Expenditure	**78,239**	**0**	**1,116**	**(27,288)**	**5,112**	**0**	**(1,858)**	**0**	**55,321**

IFRS RESTATEMENT OF BALANCE SHEET NOTE

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

An explanation of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 statements is set out in the following tables and notes.

Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the Date of Transition to IFRS (1 April 2009).

		Effect of Transition to IFRS							
Table 3	**2008/09 SORP/GAAP Closing Balance £'000**	**Accumulated Absences £'000**	**Grants and Contributions £'000**	**Finance Leases £'000**	**Cash and Cash Equivalents £'000**	**Assets Held for Sale £'000**	**Investment Property £'000**	**Non IFRS Provisions £'000**	**2008/09 IFRS Restated Closing Balance £'000**
Property, Plant and Equipment	1,244,126	0	0	1,413	0	(3,688)	14,586	0	1,256,437
Investment Property	61,094	0	0	2,602	0	(2,871)	(14,586)	0	46,239
Intangible Assets	353	0	0	0	0	0	0	0	353
Long Term Investments	8,000	0	0	0	0	0	0	0	8,000
Long Term Debtors	124	0	0	3,817	0	0	0	0	3,941
Long Term Assets	**1,313,697**	**0**	**0**	**7,832**	**0**	**(6,559)**	**0**	**0**	**1,314,970**
Short Term Investments	31,790	0	0	0	(3,203)	0	0	0	28,587
Inventories	234	0	0	0	0	0	0	0	234
Short Term Debtors	62,656	0	0	0	0	0	0	0	62,656
Cash and Cash Equivalents	14,803	0	0	0	3,203	0	0	0	18,006
Assets held for sale (<1yr)	0	0	0	0	0	4,926	0	0	4,926
Current Assets	**109,483**	**0**	**0**	**0**	**0**	**4,926**	**0**	**0**	**114,409**
Short Term Borrowing	(9,598)	0	0	0	0	0	0	0	(9,598)
PFI Creditors	(2,408)	0	0	0	0	0	0	0	(2,408)
Short Term Creditors	(93,893)	0	26,905	(728)	0	0	0	0	(67,716)
Provisions (<1yr)	0	(4,592)	0	0	0	0	0	(9,883)	(14,475)
Capital Grants and Cont RIA	0	0	(16,177)	0	0	0	0	0	(16,177)
Bank overdraft	(9,862)	0	0	0	0	0	0	0	(9,862)
Current Liabilities	**(115,761)**	**(4,592)**	**10,728**	**(728)**	**0**	**0**	**0**	**(9,883)**	**(120,236)**
Long Term Creditors	0	0	0	0	0	0	0	0	0
Provisions (>1yr)	(18,439)	0	0	0	0	0	0	9,883	(8,556)
Long Term Borrowing	(292,936)	0	0	0	0	0	0	0	(292,936)
Finance Lease Liabilities	0	0	0	(4,482)	0	0	0	0	(4,482)
Other Long Term Liabilities	(70,496)	0	0	0	0	0	0	0	(70,496)
Government Grants and Contributions Deferred	(123,508)	0	123,508	0	0	0	0	0	0
Other Contributions Unapplied	(10,001)	0	10,001	0	0	0	0	0	0
Pensions Liability	(276,478)	0	0	0	0	0	0	0	(276,478)
Capital Grants Receipts in Advance		0	0	0	0	0	0	0	0
Long Term Liabilities	**(791,858)**	**0**	**133,509**	**(4,482)**	**0**	**0**	**0**	**9,883**	**(652,948)**
Net Assets	**515,561**	**(4,592)**	**144,237**	**2,622**	**0**	**(1,633)**	**0**	**0**	**656,195**

IFRS RESTATEMENT OF BALANCE SHEET NOTE CONTINUED

Table 4	2008/09 SORP/GAAP Closing Balance Sheet	Effect of Transition to IFRS						Non IFRS Provisions	2008/09 IFRS Restated Closing Balance
		Accumulated Absences	Grants and Contributions	Finance Leases	Cash and Cash Equivalents	Assets Held for Sale	Investment Properties		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financing from Reserves									
Usable reserves									
General Fund	3,475	0	0	0	0	0	0	0	3,475
Capital Reserve/Usable Capital Receipts	4,331	0	0	0	0	0	0	0	4,331
Major Repairs	4,932	0	0	0	0	0	0	0	4,932
Housing Revenue Account	3,113	0	0	0	0	0	0	0	3,113
PFI Reserves	0	0	0	0	0	0	0	0	0
Other Earmarked Reserves	64,862	0	5,085	0	0	0	0	0	69,947
Capital Grants Unapplied	0	0	5,643	0	0	0	0	0	5,643
Insurance Reserve	0	0	0	0	0	0	0	0	0
Unusable Reserves									
Revaluation Reserve	162,608	0	0	0	0	225	(6,657)	0	156,176
Available for sale Reserve	0	0	0	0	0	0	0	0	0
Pensions Reserve	(276,478)	0	0	0	0	0	0	0	(276,478)
Capital Adjustment Account	582,727	0	133,509	2,622	0	(1,858)	6,657	0	723,657
Unequal Pay back pay account	(9,820)	0	0	0	0	0	0	0	(9,820)
Deferred Capital Receipts	90	0	0	0	0	0	0	0	90
Financial Instruments Adjustment Account	(21,650)	0	0	0	0	0	0	0	(21,650)
Collection Fund Adustment Account	(2,629)	0	0	0	0	0	0	0	(2,629)
Short Term Accumulated Absences Account	0	(4,592)	0	0	0	0	0	0	(4,592)
Total Reserves	**515,561**	**(4,592)**	**144,237**	**2,622**	**0**	**(1,633)**	**0**	**0**	**656,195**

RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT 31 MARCH 2010 continued

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

An explanation of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 statements is set out in the following tables and notes.

Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the Date of Transition to IFRS (31 March 2010)

Table 5	2009/10 SOA GAAP	Opening Adj	Effect of Transition to IFRS: Accumulated Absences	Grants and Contributions	Finance Leases	Cash and Cash Equivalents	Surplus Assets	Assets Held for Sale	Investment Properties	Non IFRS Provisions	IFRS Restated Closing Balance Sheet
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant and Equipment	1,300,065	12,311	0	0	(567)	0	10	3,630	1,853	0	1,317,302
Investment Property	52,199	(14,855)	0	0	(3,556)	0	(10)	2,220	(3,572)	0	32,426
Intangible Assets	1,185	0	0	0	0	0	0	0	0	0	1,185
Long Term Investments	0	0	0	0	0	0	0	0	0	0	0
Long Term Debtors	69	3,817	0	0	0	0	0	0	0	0	3,886
Long Term Assets	**1,353,518**	**1,273**	**0**	**0**	**(4,123)**	**0**	**0**	**5,850**	**(1,719)**	**0**	**1,354,799**
Short Term Investments	48,614	(3,204)	0	0	0	(11,320)	0	0	0	0	34,090
Inventories	22	0	0	0	0	0	0	0	0	0	22
Short Term Debtors	68,813	0	0	0	0	0	0	0	0	0	68,813
Cash and Cash Equivalents	425	3,204	0	0	0	11,320	0	0	0	0	14,949
Assets held for sale (<1yr)	0	4,926	0	0	0	0	0	(3,992)	0	0	934
Current Assets	**117,874**	**4,926**	**0**	**0**	**0**	**0**	**0**	**(3,992)**	**0**	**0**	**118,808**
Short Term Borrowing	(4,199)	0	0	0	0	0	0	0	0	0	(4,199)
PFI Creditors	0	0	0	0	0	0	0	0	0	(2,112)	(2,112)
Short Term Creditors	(83,828)	26,177	0	(7,413)	286	0	0	0	0	2,112	(62,666)
Provisions (<1yr)	0	(14,475)	(1,115)	0	0	0	0	0	0	6,163	(9,427)
Capital Grants & Cont RIA	0	(16,177)	0	7,909	0	0	0	0	0	0	(8,268)
Current Liabilities	**(88,027)**	**(4,475)**	**(1,115)**	**496**	**286**	**0**	**0**	**0**	**0**	**6,163**	**(86,672)**
Long Term Creditors	(68,385)	0	0	0	0	0	0	0	0	0	(68,385)
Provisions (>1yr)	(10,300)	9,883	0	0	0	0	0	0	0	(6,164)	(6,581)
Long Term Borrowing	(347,102)	0	0	0	0	0	0	0	0	0	(347,103)
Finance Lease Liabilities	0	(4,482)	0	0	443	0	0	0	0	0	(4,039)
Other Long Term Liabilities	0	0	0	0	0	0	0	0	0	0	0
Government Grants and Contributions Deferred	(149,489)	123,508	0	25,981	0	0	0	0	0	0	0
Other Contributions Unapplied	(10,803)	10,001	0	802	0	0	0	0	0	0	0
Pensions Liability	(359,962)	0	0	0	0	0	0	0	0	0	(359,962)
Capital Grants Receipts in Advance	0	0	0	0	0	0	0	0	0	0	0
Long Term Liabilities	**(946,041)**	**138,910**	**0**	**26,783**	**443**	**0**	**0**	**0**	**0**	**(6,164)**	**(786,070)**
Net Assets	**437,324**	**140,634**	**(1,115)**	**27,279**	**(3,394)**	**0**	**0**	**1,858**	**(1,719)**	**(1)**	**600,865**

RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT 31 MARCH 2010 continued

Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the Date of Transition to IFRS (31 March 2010) continued

			Effect of Transition to IFRS							Non IFRS	
Table 6	**2009/10 SOA GAAP**	**Opening Adjustment**	**Accumulated Absences**	**Grants and Contributions**	**Finance Leases**	**Cash and Cash Equivalents**	**Surplus Assets**	**Assets Held for Sale**	**Investment Properties**	**Provisions**	**IFRS Restated Closing Balance Sheet**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financed by											
Usable reserves											
General Fund	8,008	0	0	0	0	0	0	0	0	0	8,008
Capital Reserve/Usable Capital Receipts	6,986	0	0	0	0	0	0	0	0	0	6,986
Major Repairs	6,577	0	0	0	0	0	0	0	0	0	6,577
Housing Revenue Account	2,290	0	0	0	0	0	0	0	0	0	2,290
PFI Reserves	0	0	0	0	0	0	0	0	0	0	0
Other Earmarked Reserves	60,902	5,085	0	670	0	0	0	0	0	0	66,657
Capital Grants Unapplied	0	5,643	0	(173)	0	0	0	0	0	0	5,470
Insurance Reserve	0	0	0	0	0	0	0	0	0	0	0
											0
Unusable Reserves											0
Revaluation Reserve	204,668	(6,432)	0	0	(3,556)	0	0	0	2,180	0	196,860
Available for sale Reserve	0	0	0	0	0	0	0	0		0	0
Pensions Reserve	(359,962)	0	0	0	0	0	0	0		0	(359,962)
Capital Adjustment Account	531,217	140,930	0	26,781	162	0	0	1,858	(3,899)	0	697,049
Unequal Pay back pay account	(1,491)	0	0	0	0	0	0	0	0	0	(1,491)
Deferred Capital Receipts	44	0	0	0	0	0	0	0	0	0	44
Financial Instruments Adjustment Account	(21,197)	0	0	0	0	0	0	0	0	0	(21,197)
Collection Fund Adustment Account	(718)	0	0	0	0	0	0	0	0	0	(718)
Short Term Accumulated Absences Account	0	(4,592)	(1,115)	0	0	0	0	0	0	0	(5,707)
Total Reserves	**437,324**	**140,634**	**(1,115)**	**27,278**	**(3,394)**	**0**	**0**	**1,858**	**(1,719)**	**0**	**600,865**

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SECTION – 1

REVIEW AND STATUTORY CERTIFICATIONS

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Waltham Forest

FINANCIAL REVIEW OF 2010/11

During the year ended 31 March 2011, the Council controlled expenditure within budget and made prudent use of its balances and reserves to maintain its financial stability during a period of organisational transition and a nationally poor economic climate.

GENERAL REVENUE EXPENDITURE 2010/11

DIRECTORATE ANALYSIS	Final Budget £000	Actual £000	Over/(Under) Spending £000
Adult Social Care	79,180	82,070	2,890
Chief Executive's Department	0	0	0
Children and Young People Services [*1]	94,684	97,557	2,873
Corporate Expenditure	(43,788)	(44,342)	(554)
Environment and Regeneration Services	53,127	51,468	(1,659)
Finance Department	7,358	5,979	(1,379)
Governance and Law	1,248	964	(284)
HR and Organisational Development	880	319	(561)
ICT	(56)	(226)	(170)
People, Policy and Performance [*2]	100	98	(2)
Residents First	1,892	1,083	(809)
Strategy and Communications	(24)	(417)	(393)
Total for Directorates	**194,601**	**194,553**	**(48)**
Contingency	578	0	(578)
Interest and Capital Charges Account	(18,567)	(17,877)	690
Levies	7,480	7,290	(190)
Contributions to/(from) Pension Reserve	53,089	53,089	0
Equal Pay Deferred	950	950	0
Reversal of Employee Benefits Accrual	177	177	0
Contribution to working balance	1,680	1,680	0
Contribution to/(from) Earmarked Reserves	(7,490)	(7,490)	0
Capital Grants and Contributions	(38,398)	(38,398)	0
Contribution to Earmarked Grant Reserves	5,052	5,052	0
Financing from Capital Grants	33,071	33,071	0
Waltham Forest Expenditure	232,223	232,097	(126)
Revenue Support Grant	(15,591)	(15,591)	0
Area Based Grant	(23,362)	(23,362)	0
National Non-Domestic Rates (NNDR)	(107,371)	(107,371)	0
Council Tax	(86,950)	(86,950)	0
Collection Fund	1,051	1,051	0
Total (Surplus) for the year	0	(126)	(126)

[*1] Spend shown net of the Dedicated Schools Grant of £173,150,000
[*2] Part year costs for Head of Service

As in previous years, the authority has kept its spending close to, and just below the agreed budget. The general net revenue expenditure of the Council for the year was £232.097 million, this was £126,000 less than the budgeted amount and the saving will be added to working balances.

The Band D Council Tax for the year ended 31 March 2011 was £1,462.03 (the same as 2009/10). Of this, £309.82 (the same as 2009/10) was a precept in respect of the Greater London Authority, while £1,152.21 (the same as 2009/10) was the local borough element. This raised £87.572 million towards the annual running costs of the Borough.

GENERAL FUND BALANCE

	£'000	£'000
General Fund Balance as at 1 April 2010		(8,008)
Budgeted contributions (to)/from Balances	(1,680)	
Year End Surplus to Balances	(126)	
Net Movement on Balances		(1,806)
General Fund Balance as at 31 March 2011		**(9,814)**

The general fund balances now stand at £9.8 million, compared to £8 million at 31 March 2010. This is in line with the medium term strategy of increasing balances to the equivalent of approximately 2.5% of annual general revenue expenditure. Balances support delivery of services in the future and help to protect services and council taxpayers from unexpected financial events.

During 2010/11, planned contributions of £1 million were made to replenish the balances plus a repayment of £700,000 being the second of three annual instalments relating to the schools innovation contract. The Director of Finance will seek to ensure that balances do not fall below the level required for good financial management purposes. The projected balance of £10.306 million at 31 March 2012 is equivalent to 2.2% of net expenditure in 2011/12. At Cabinet in September 2009, Members agreed a minimum level of General Fund reserves of £10 million and a maximum of £15 million.

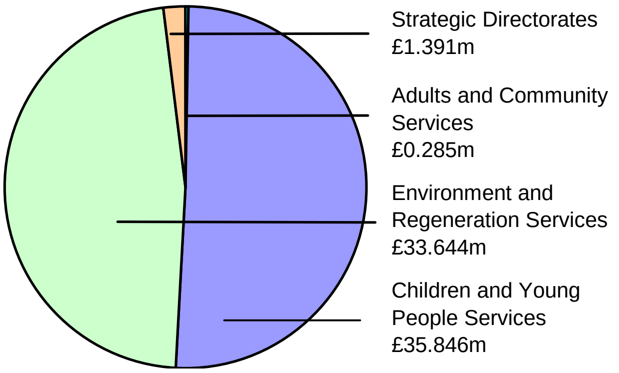
COUNCIL HOUSING

The Housing Service spent broadly in line with its budget in 2010/11. The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision. Housing revenue expenditure on maintenance, administration and capital financing costs was met by rents, Government subsidy and other income. During the year, 10 homes were sold under the Right to Buy regulations, and 3 multi occupied properties (mainly hostels) were disposed of. An arms length management organisation (Ascham Homes Limited) manages the properties, which now number 10,476 dwellings.

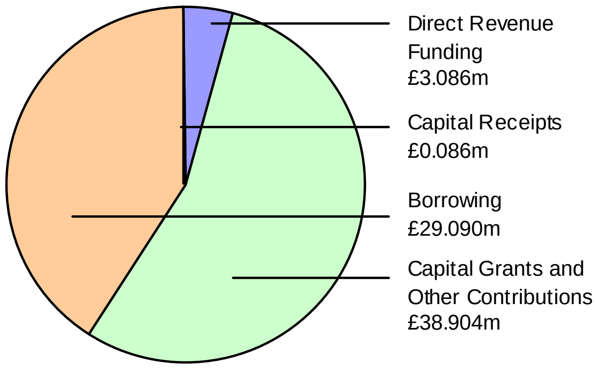
CAPITAL EXPENDITURE

Capital expenditure in 2010/11 was £71.166 million. The total expenditure is higher than the Government's supported borrowing allocation to this Authority, due to the use of capital receipts and other resources to finance expenditure. Further details are given in the notes to the Core Statements. There was one major capital acquisition being the completion on the proposed site for Willowfield School, however, this project is now on hold following the Government's cancellation of the BSF programme. However, there were some disposals, the major one being 458 Larkshall Road and part of the adjoining car park. The capital receipts generated from these disposals are to be reinvested in the projects detailed in the Council's existing and future years' capital programme. Capital expenditure during 2010/11, analysed by Directorates, is set out on the next page.

Capital Expenditure **£71.166 million**



Financed by



BORROWING BY THE COUNCIL

The net borrowing by the Council as at 31 March 2011 was £7.2 million lower than as at 31 March 2010. This was mainly due to increased investments more than offsetting increased long term borrowing undertaken whilst interest rates were low to replace internal borrowing.

The 'Prudential Framework', which replaced borrowing approvals from 1 April 2004, allows authorities to set their own borrowing limits, having regard to the levels of debt repayment they can sustain, in line with their local priorities. The Council continues to use this facility for a range of purposes.

	2009/10 £'m	2010/11 £'m	Notes
Long Term Borrowing			
Public Works Loans Board	295.7	329.9	All at fixed rates, averaging 4.8% repayable between 2012 and 2057.
Market Loans	51.4	50.5	Fixed initially, then can vary upwards, on the lender's option, or be repaid.
Total Long Term Borrowing	347.1	380.4	
Short Term Borrowing	4.2	5.9	
Gross Debt	351.3	386.3	
Less: -			
Investments	(34.1)	(71.1)	
Cash and cash equivalents	(14.9)	(20.1)	
Net Debt at 31 March	**302.3**	**295.1**	**Decrease of £7.2 million**

BALANCE SHEET

The Balance Sheet of the Council sets out its assets and liabilities at the end of the financial year. It is a guide to the financial resilience of the Council. The total assets less liabilities of the Council at 31 March 2011 are valued at £419 million, compared to the restated value of £601 million a year previously. This £182 million reduction in the Council's Net Worth was mainly due to the fall in the valuation of Council dwellings caused by a change in the methodology prescribed by Central government reflecting its use as social housing.

PENSION FUND

The Fund Account shows the contributions to the Council's Pension Fund during 2010/11 and the benefits paid to former employees. The Net Assets Statement sets out the financial position of the Fund as at 31 March 2011.

In 2010/11 the net value of the Pension Fund's assets increased to £531 million from £480 million. The value of the Pension Fund's investments at 31 March 2011 increased to £528 million from £479 million. The increase in the net value of the Pension Fund reflects that global economies are emerging out of the recession; however there are still concerns about the continued growth of the recovery.

In the June 2010 budget the Government announced that public sector pensions would be linked to the Consumer Price Index rather than the previous measure of the Retail Price Index with effect from 1 April 2011. Although there is no direct effect on the Pension Fund Accounts in 2010/11 its inclusion in the 2010/11 FRS17/IAS19 calculations resulted in an exceptional item in the Council's Revenue Accounts reducing past service costs by £47.8 million. The effect of this and other changes in assumptions and experiences resulted in the Pension Fund deficit reducing by £13.4 million to £346.5 million.

COLLECTION FUND

The Collection Fund shows the transactions of the Council as a billing authority in relation to National Non-Domestic Rates (NNDR) and Council Tax. In response to a trend of reporting deficits the Council took action to eliminate future deficits by lowering the collection rate in the 2010/11 Council tax base calculation from 97% to 96%. This has had the effect of increasing the Council Tax yield which has moved the Collection Fund into a surplus position during 2010/11. The fund also shows how the £166 million collectable in the Borough has been distributed to the precepting authorities and the Business Rates National Pool. The Council Tax in year collection rate improved by 0.72% to 95.79%, the highest collection rate achieved since Council Tax was introduced. For NNDR, the collection rate was 97%, slightly higher than last year by 0.4%.

OUTLOOK AND FUTURE ISSUES

The Council's Sustainable Community Strategy sets out the key challenges for the Council. It establishes the priorities that will drive continuing service improvement and is aimed at managing population growth and change, creating more wealth and opportunity for all residents and retaining more wealth in the Borough. The Council has a sustainable Medium Term Financial Strategy (MTFS) that provides a framework within which these priorities can be addressed in a period of tightening finances, by dealing with financial pressures whilst continuing to make efficiency savings and improving service performance.

The main revenue pressures facing the Borough are the tightening of the public finance in the UK, pensions, waste disposal, increasing pressures on social care services for adults, children and young people, single status and equal pay. The deficit on the Pension Fund remains a significant risk, and events in the markets and wider economy in recent months have clearly added to the difficulty of achieving the Council's funding targets for the Pension Fund. Based upon the triennial valuation of the Fund at 31 March 2010, the employer contribution rate was increased to 23.4% in 2011/12.

The Medium Term Financial Strategy approved in February 2010 allowed for a 2% increase in the Employers contribution rate for each of the three years from 2011/12. The Actuary to the Pension Fund (Mercer) has undertaken the valuation of the Fund as at 31 March 2010 in accordance with the Local Government Pension Scheme Regulations.

Despite the poor performance of financial markets since the Actuarial Valuation in 2007 and adverse movements in gilt yields, (which are used by the Actuary as part of the process of assessing the Pension Fund liabilities), the Actuary has determined that the Employer Contributions to the Pension Fund required from the Council are within the 2% annual increase assumed within the MTFS. The increase for 2011/12 is 1.9%. The increase for 2012/13 is a further 1.8% and that for 2013/14 an additional 2%. Therefore the results of the latest Actuarial Valuation of the Pension Fund have not resulted in any additional burden on the Council's finances in excess of that assumed in the Medium Term Financial Strategy.

The Council is working closely with partners in the North London Waste Authority, building alternative waste collection and disposal strategies. In the social care services, where client numbers and care needs continue to rise within a national trend, extensive work is being undertaken to develop appropriate strategies to keep spending within budget without detriment to the service.

The Council's Formula Grant for 2011/12 was slightly above the grant 'floor' (maximum reduction) resulting in a reduction of £5.2 million and a further 0.262 million in 2012/13 The Government has announced that the second set of two year settlement figures are expected to take into account a new formula distribution system. The figures for 2011/12 and 2012/13 are broadly consistent with what had been predicted, taking into account the cessation of the Area Based Grant (ABG) and the introduction of the Early Intervention Grant (EIG). Reductions in the annual Formula Grant of 7% and 3% have been assumed for 2013/14 and 2014/15 respectively with no increase in EIG. The figures for these years will be revised in the light of future Government announcements.

Whilst spending on schools is forecast to increase in real terms over this period through the Dedicated Schools Grant (DSG), general spending pressures of over £65 million on the remainder of the General Fund during a four year period from 2011/12 are being addressed through the Transformation Programme (TP), identifying reductions in expenditure through improvements in efficiency and better targeting of resources.

The total schedule of savings for 2011/12 is £29.5 million and for 2012/13 is £16.2 million. If these savings are achieved the Council will succeed in meeting a balanced budget that is sustainable for both financial years providing that the underlying assumptions in the MTFS do not change. The deliverability of these savings will be closely monitored and reported to Cabinet through the normal revenue monitoring process.

The Authority was in the first wave of the Government's 'Building Schools for the Future' initiative, which would have provided PFI credits and other capital funding to completely refurbish secondary school provision in the Borough. Some schools have been successfully rebuilt but the Government abolished the programme in 2010 and alternative funding for projects remains uncertain.

For Single Status issues, the Council has almost completed its negotiations regarding affected staff. Ongoing costs of new grades are built into the 2011/12 budget. A figure of £386,700 is being held within the £2.4 million contingency in 2011/12 to cover further re-evaluations. Any back pay costs are met from the earmarked reserve.

Extracting the maximum value from the Borough's existing assets is one of the key challenges in securing the best facilities for the people of Waltham Forest. A combination of leverage, capital receipts and taking advantage of Government funding initiatives, will secure these facilities up to and beyond the Olympics in 2012.

The current economic climate and the Government's deficit reduction strategies will continue to make budget setting a challenging process and there is already a significant resource gap identified for 2011/12 and beyond, that needs to be met from an ambitious savings programme. The Authority is seeking to support residents through difficult times by providing effective services and avoiding increases in Council Tax. Past experience has shown that the Authority is able to take difficult financial decisions and a continuing commitment to build on good budget processes should enable the Authority to identify the required reductions.

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STATEMENT OF RESPONSIBILITIES

THE COUNCIL'S RESPONSIBILITIES:

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Director of Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the statement of accounts.

THE DIRECTOR OF FINANCE'S RESPONSIBILITIES:

The Director of Finance is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Director of Finance has: -

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the Local Authority Code.

The Director of Finance has also: -

- kept proper accounting records which were up to date, and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

ISSUE DATE

The date that these financial statements are authorised for issue is 22 September 2011. All known material events that have occurred up to and including this date which relate to 2010/11 or before have been reflected in the statements and notes.

CERTIFICATION BY THE DIRECTOR OF FINANCE

I certify that this statement of accounts gives a true and fair view of the financial position of the London Borough of Waltham Forest as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011 and I hereby authorise its issue.

John Raisin

Date: 24 June 2011

John Raisin CPFA
Director of Finance

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APPROVAL OF THE STATEMENT OF ACCOUNTS 2010/11

In accordance with the Accounts and Audit (England) Regulations 2011, the Audit and Governance Committee, constituted on the basis of political balance, under delegation from full Council, will consider the Statement of Accounts for 2010/11 on 22 September 2011, following the consideration of the external auditor's Annual Governance Report.

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SECTION – 2

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

1. INTRODUCTION

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position as at 31 March 2011. The Council is required to prepare an annual Statement of Accounts as required by the Accounts and Audit Regulations, which require them to be prepared in accordance with proper accounting practices.

These practices principally comprise the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards) and the Best Value Accounting Code of Practice.

The Statement of Accounts for previous years have been prepared in accordance with the Statement of Recommended Practices (SORP) which was based upon generally accepted accounting practice in the UK (UK GAAP). Where the transition to IFRS produces material differences to amounts that would have been recognised in previous years, this is disclosed in the notes to the accounts. The comparators to previous years included within the financial statements are calculated upon an IFRS basis.

Separate accounting policies in respect of the Council's Pension Fund are set out in the notes to the Pension Fund's accounts.

2. GENERAL PRINCIPLES

The accounts of the London Borough of Waltham Forest have been prepared under the historic cost convention, modified by revaluation of fixed assets in accordance with the Accounting Code of Practice.

Expenditure and income are reported in accordance with a total cost basis of accounting. Gross total cost includes all expenditure attributable to the service or activity, including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation. No categories of income are considered to be abatements of expenditure, and movements to and from reserves are excluded from total cost.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

The Accounts have been designed to present a "true and fair" view of the financial position of the Council and comparative figures for the previous financial year are provided.

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies.

Income and expenditure are accounted for in the year in which they arise by the creation of debtors and creditors, including estimates where appropriate.

In accordance with the Best Value Accounting Code of Practice, service expenditure includes all expenditure relating to the activity. This includes charges for the use of fixed assets and the appropriate share of all support services and overheads.

The main policies adopted in compiling the accounts are set out below.

3. EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

4. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS AND PRIOR PERIOD ADJUSTMENTS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future financial years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5. ACCRUALS OF INCOME AND EXPENDITURE

Income and expenditure is included in the accounts on an accruals basis. In particular:

- Sales, fees, charges and rent due from customers are accounted for as income at the date the Council provides the relevant goods or services.

- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

- Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the appropriate provision. Bad Debt provisions (also known as impairments) are maintained at levels that reflect the age profile of the outstanding debt and the likelihood of recovery based upon currently achieved collection rates. Transfers to the provisions account are recorded as expenditure in the Comprehensive Income and Expenditure Statement and therefore do not adjust the amount of income originally recognised.

- The Council is a billing authority and collects National Non Domestic Rates (NNDR) under what is in substance an agency agreement with the Government for the collection of business rates. The same principle applies for Council Tax collected on behalf of the precepting bodies. The income collected on an

agency basis is not the income of the billing authority and is not included in the Comprehensive Income and Expenditure Statement.

- Where income has been received in the year in relation to activities to be carried out in the following financial year, a receipt in advance is recorded in the balance sheet;

- Where payment has been made in relation to activities to be carried out in the following financial year, a payment in advance is recorded in the balance sheet.

- Income and expenditure are credited and debited to the relevant line on the Comprehensive Income and Expenditure Statement unless they properly represent capital receipts or capital expenditure.

6. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They may include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense in the year in which employees render service to the Council. If considered material, an accrual is made for the cost of holiday entitlements and flexi time earned by employees which are not taken before the year-end, but which are carried forward into the next financial year. The accrual, based on information held on HR corporate systems and estimation techniques, is made at the wage and salary rates applicable in the following accounting year, as this is the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or, an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of employment or the making of an offer to encourage voluntary redundancy.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Local Government Pensions Scheme – that is, non-teaching staff, subject to certain qualifying criteria, are eligible to join the Council's own funded scheme administered under the Local Government Pension Scheme Regulations (LGPS).

- The Teachers' Pension Scheme, administered by Capita Business Services Ltd on behalf of the Department for Education.

- Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

- However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore

accounted for as if it were a defined contributions scheme – no liability for future payment of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in year.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of decision to make the award and accounted for using the same policies as are applied to the LGPS.

7. ACCOUNTING FOR THE LOCAL GOVERNMENT PENSION SCHEME

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5 per cent (based on the indicative rate of return on high quality corporate bond).

The assets of the pension fund attributable to the council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pension liability is analysed into seven components:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past Service Cost – the increase in liabilities arising from current year decisions which relate to years of service earned in earlier years. These costs are debited to Non Distributed Costs in the Comprehensive Income and Expenditure Statement.
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. The cost is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected Return on Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return. This is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities, or events that reduce the expected future service or accrual of benefits to employees. This is debited or credited to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Actuarial gains and losses – changes in the net pension liability that arise as events have not coincided with assumptions made at the last actuarial valuation, because the actuaries have updated their assumptions. They are debited to the Pensions Reserve.
- Contributions Paid to the Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund, or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

Statutory provisions limit the Council to raising Council Tax to cover amounts payable to the pension fund in the year. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the accrued debits for the cash paid to the pension fund or to pensioners. The negative balance that arises on the Pensions Reserve, therefore, measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees. Further pension details are given at note 44.

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used, with the full cost of overheads and support services being shared between users in proportion to the benefits received. The main basis for allocation are floor area for administrative buildings and estimated staff time for central services. Where service level agreements apply, charges have been made on the basis agreed between users and providers with the exception of:

- Corporate and Democratic Core – costs relating to the Council's multi-functional democratic organisation

- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

9. ACQUISITIONS AND DISCONTINUED OPERATIONS

Acquired Operations

The authority has not acquired or transferred operations as a result of government regulation during the 2010/11 financial year. Examples of such acquisitions would be a legislative requirement to provide additional services as a result of local government reorganisation.

Discontinued Operations

The authority has not discontinued or transferred operations during the financial year.

10. FOREIGN CURRENCY TRANSLATION

Where the Authority has entered into a transaction denominated in a foreign currency the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

11. INTERNAL INTEREST

Interest is credited to the Housing Revenue Account (HRA), together with some Trust Funds and other accounts where applicable, based upon the level of their balances. These amounts are calculated using the London Inter-Bank Offered Rate for the General Fund accounts and the statutory Consolidated Rate for the HRA.

12. CHARGES TO REVENUE FOR NON – CURRENT ASSETS

Service revenue accounts, the Housing Revenue Account and central support services are charged with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue, known as the Minimum Revenue Provision to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Capital charges have a neutral impact on the amounts required to be raised from local taxation, as they are reversed out in the Movement in Reserves Statement and replaced by the statutory Minimum Revenue Provision for debt repayment.

The latter figure is calculated on a prudent basis in accordance with statutory guidance and the provisions of part 6 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.

The Minimum Revenue Provision is a proper charge to the General Fund, but does not appear in the Comprehensive Income and Expenditure Statement; it is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. The amounts of Minimum Revenue Provision to be charged to the General Fund for the year are set out in the appropriate regulations and statutory guidance.

A charge is made to the HRA from the General Fund equivalent to statutory capital financing charges. It is calculated in a manner determined by the Secretary of State in

accordance with the provisions of Item 8 of part II of Schedule 4 to the Local Government and Housing Act 1989 (the Item 8 determination).

13. PROVISIONS

The Council makes provision in compliance with FRS 12 where there is an obligation as a result of a past event, where it is probable that the Council will incur expenditure to settle the obligation and where a reasonable estimate can be made of the amount involved.

For example, the Council may be involved in a court case that could eventually result in the making of a settlement, or the payment of compensation. In addition to the provisions listed in note 53 there are provisions for bad debts that are netted off against debtors (note 41).

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate available at the balance sheet date, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the balance sheet. Provisions are monitored throughout the year and where it becomes apparent that the settlement is lower than anticipated, adjustments are made and the balance is credited back to the relevant service revenue account. Estimated settlements are reviewed at the end of each financial year and the provision is adjusted accordingly.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that the reimbursement will be received if the Council settles the obligation.

14. PROVISION FOR BACK PAY ARISING FROM UNEQUAL PAY CLAIMS

The Authority has made a provision for the cost of settling unequal pay claims incurred before the Authority implemented its equal pay strategy.

However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place and not when the provision is established. The provision is balanced by an Equal Pay Back Pay Reserve which is debited back to the General fund balance in the Movement in Reserves Statement in future financial years as payments are made.

15. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non current asset and has been charged as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources, or from borrowing, this revenue expenditure is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance. This is shown as a reconciling item in the Movement in Reserves Statement. The purpose of this is to enable it to be funded from capital

resources rather than be charged to the General Fund and impact on that year's council tax.

16. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the grant or contribution, are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried on the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (for non ringfenced grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grants (ABG)

Area Based Grant is a general grant allocated by central government, directly to local authorities, as additional revenue funding. ABG is non ring-fenced and is credited to the Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement District Schemes (BIDS)

There are two Business Improvement districts that have been set up for the purpose of providing additional services over and above those already provided by the Council for their specified areas. The Council acts an agent for the two BID companies and bills and collects a levy from businesses within each area and pays it over to the BID companies

17. BORROWING COSTS

The authority has a policy of not capitalising the borrowing costs related to capital investment programmes.

18. BASIS OF CONSOLIDATION

The balance sheet aggregates the balances of each of the Authority's funds except for the Pension Fund, for which separate information is provided.

19. SCHOOLS

The Authority's schools operate their own bank accounts and maintain their own financial records independently of the Council's corporate financial systems. Schools submit annual returns for consolidation into the Council's accounts. These returns include details of schools' income and expenditure, and balance sheet movement.

20. CASH AND CASH EQUIVALENTS

The Council has a policy of investing short term and core surpluses of cash. They are managed in line with the Council's Treasury Management Strategy which has regard to the CLG's Guidance on Local Government Investments and the 2009 revised CIPFA Treasury Management in Public Services Code of Practice. Investment decisions are taken in the context of the Council's cash flow position and the timing of its capital and revenue resourcing requirements.

Cash is represented by cash in hand and includes any cash within the authority's bank account. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

The Council has a number of Call accounts to meet short-term cash flow requirements where no notice is required to access funds. These are included as cash equivalents.

Call accounts held to make a gain from favourable rates of interest are classed as investments and not cash equivalents. Where applicable this would also apply to Money Market Funds and fixed term investments.

21. CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the Council a possible obligation, the existence of which will only be confirmed by the occurrence, or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

22. CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.
Contingent assets are not recognised in the Balance Sheet, but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

23. INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset without physical substance. It is controlled by the Council as a result of past events and future economic or service benefits are expected to flow to the Council. The most common class of intangible asset in local authorities is computer software. Waltham Forest only holds externally purchased software licences as intangible assets.

An intangible asset is measured initially at cost. After initial recognition an intangible asset may be carried at a re-valued amount where its fair value can be determined by reference to an active market. Otherwise, an intangible asset will be carried at cost less any accumulated amortisation and any accumulated impairment loss.

Intangible assets will be amortised on a straight line basis over their useful life. The useful life of an intangible asset is set at the period over which the authority expects to receive the benefits, usually 3-4 years. The depreciable amount of an intangible asset with a finite useful life is amortised on a systematic basis over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement, beginning when the intangible asset is available for use. The residual value of an intangible asset is deemed to be zero.

The amortisation method used reflects the expected pattern of use of the economic benefits. If the pattern cannot be determined reliably, the straight-line method is used. The amortisation period and method is reviewed at least at the end of each reporting period.

24. DONATED ASSETS

Donated Assets are defined as assets transferred as nil value, or acquired at less than fair value. Donated Assets may be received under a number of different circumstances.

Assets which are donated to the authority for nil consideration, or for a consideration less than their fair value are recognised as income in the Comprehensive Income and Expenditure Statement, except to the extent that the transfer has a condition that the authority has not satisfied. In this case the asset is credited to the donated assets reserve and recognised in the Comprehensive Income and Expenditure Statement once the condition(s) has been satisfied.

25. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PPE) are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used in more than one reporting period.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment assets is capitalised, subject to a de minimus of £20,000, on an accrual basis, provided that it yields benefits to the Council and the services it provides for more than one year. The cost of an item of property, plant and equipment is being recognised and therefore capitalised if:

- It is probable that the future economic benefits or service potential associated with the item will flow to the Council, and

- The costs of the item can be measured reliably

Costs arising from day-to-day servicing of the asset and repairs and maintenance costs i.e. expenditure that secures but does not extend the previously assessed standard of performance of the asset is charged to revenue as it is incurred.

From 1 April 2010 onwards, enhancement expenditure on a component of an asset which is significant in relation to total asset cost is recognised separately from the primary asset value. The value of the existing component being replaced is removed from the existing asset value.

Measurement

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). All valuations are undertaken by the Authority's own qualified valuers. Assets are initially measured at cost, comprising purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
Assets are then carried in the Balance Sheet using the following measurement bases:

- Land and Buildings – fair value, the amount that would be paid for land and buildings in their existing use.
- Infrastructure, community assets and assets under construction – depreciated historical cost.
- For Council Dwellings fair value is estimated using the Existing Use Value – Social Housing, valuation methodology.
- All other classes of asset are measured at fair value. This is usually based on evidence of market transactions. However, for assets of a specialised nature where there is no market based evidence of fair value, fair values are estimated on a depreciated replacement cost basis.
- Donated Assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non Specific Grant income line in the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account, via the Movement in Reserves Statement.

As part of the ongoing programme of asset revaluation, at least 20 per cent of fixed assets are re-valued each year, with the remainder of assets being reviewed to determine that their values at the balance sheet date are materially correct. In addition, assets on which there has been material spending in year are reviewed and re-valued.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the value of the accumulated gains.

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains which arose before that date have been consolidated into the Capital Adjustment Account.

Impairment

At the end of each reporting period, an assessment is made of whether there is any indication that an asset may be impaired. If there is an indication of impairment, the recoverable amount of the asset is estimated to determine the impairment loss.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the value of the accumulated gains.

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

- Any impairment values in excess of revaluation balances are recognised in the Surplus or Deficit on the Provision of Services. This charge does not constitute a proper charge to the General Fund and is therefore reversed to the Capital Adjustment Account through the Movement in Reserves Statement.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the carrying amount that would have been determined had there been no initial impairment loss. Any excess of the impairment loss reversed above this carrying amount is charged to the Revaluation Reserve.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets and is based on the depreciable amount allocated over an asset's useful life. Depreciation is not charged on assets without a determinable finite useful life (i.e. freehold land and certain community assets), assets that are not yet available for use (assets under construction) and investment properties and land with an unlimited useful life, according to the following policy: -

- Depreciation begins when the asset becomes available for use and ceases, either when the asset becomes available for sale, or is derecognised.

- Depreciation on all assets is currently calculated using the straight-line method.

- Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately if it has a useful life different from that from the asset as a whole. This policy applies to all capital expenditure incurred, and revaluations carried out, from 1 April 2010 onwards.

- Operational property is depreciated over the life of the useful life of the asset as determined by the Council's valuers.

- Community assets are held in perpetuity and are therefore not depreciated.

- Newly acquired or completed assets are not depreciated in the year of acquisition or completion.

- Assets under construction are not depreciated until they are brought into use.

- Vehicle, plant and equipment are written down over their useful lives as determined at the time of purchase. This is usually no more than 7 years.

- Infrastructure assets are written down over 20 years, unless it is made evident from the outset that any particular asset has a shorter or longer operational life. Prior to 2008/09, non-highway infrastructure assets were written down over 40 years, following a review it was decided that this was too long and the assumed average life was reduced to 20 years.

- The residual value of an item of property, plant and equipment, its useful life and depreciation method are reviewed at least at each financial year end and, if expectations differ from previous reviews or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the change is accounted for as a change in accounting estimate.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based upon their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Componentisation is a method, used for accounting and financial reporting purposes, to ensure that assets are accurately included on the Balance Sheet and that the consumption of economic benefit of these assets is accurately reflected over their individual useful lives through depreciation charges.

The Code requires the separate recognition of two or more significant components of an asset for depreciation purposes – i.e. as if each component was a separate asset in its own right.

The Authority will follow these requirements where significant components of material assets have been identified.

A component is defined as such part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset.

Where an item of Property, Plant and Equipment has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately. The Council deems significant to be 20 per cent or more of the total cost of the asset, or £250,000, whichever is the lower.

Componentisation will only be undertaken where the building carrying value exceeds the de minimis level of £1,000,000 and when the triggers for componentisation are present; that is, componentisation will not be applied retrospectively and will be

considered only for new revaluations carried out after 1 April 2010 and when enhancement and/or acquisition expenditure is incurred after that date.

Even if the cost of a component is significant in relation to the total cost of an item of PP&E, from an accounting perspective, it is not necessary to identify the value of that component if its useful life and required method of depreciation is in line with the overall asset.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts can be grouped in determining the depreciation charge.

From 1 April 2010, where a component is replaced or restored, the carrying amount of the old component will be derecognised before reflecting the enhancement.

Component accounting will only be considered and applied in cases where the omission to recognise and depreciate a separate component may result in material differences in the statement of accounts.

Componentisation will not be applied to items of PP&E where the depreciation of the item as a single asset is unlikely to result in a material misstatement of either the depreciation charges or the carrying amount of the PP&E.

The Council recognises two primary components of a property asset which will be accounted for separately, namely Land and Buildings. Componentisation is not applicable to land as land is non-depreciable and is considered to have infinite life.

Council Dwellings

The council will continue to value the housing stock in line with the beacon principle.

In no respect shall componentisation for financial reporting purposes impact on the decision making regarding asset enhancement (capitalisation) of works carried out on the HRA dwellings portfolio.

Derecognition

An asset is derecognised in the Balance Sheet either when the asset is disposed of, or when no future economic benefits or service potential are expected from its use or disposal. The carrying value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Disposals

Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. The net gain or loss charged to the Comprehensive Income and Expenditure Statement is not a proper charge to the General Fund. In the Movement in Reserves Statement sale proceeds are reversed to the Capital Receipts Reserve and asset values to the Capital Adjustment Account.

Any component parts of an asset are derecognised when the component is replaced, even if the original component had not been recognised separately for depreciation purposes. If it is not feasible to determine the carrying amount of the replaced

component, the cost of the new component, adjusted for depreciation, is used as a reasonable proxy.

Amounts in excess of £10,000 are categorised as capital receipts. Capital receipts are usually generated from selling land, buildings or other capital assets. They can also include the repayment of loans to third parties, which have been made to finance capital expenditure. A proportion of receipts relating to housing disposals (75 per cent from the sale of Right to Buy (RTB) dwellings and 50 per cent from the sale of housing land and other housing assets, net of statutory deductions and allowances) are paid over to the Secretary of State into a national pool. These pooled receipts are then redistributed regionally and nationally via the Housing Corporation and other agencies to promote housing in identified areas. The balance of the receipts are appropriated to the Capital Receipts Reserve from the Movement in Reserves Statement, and can only be used for new capital investment or to reduce the Council's underlying need to borrow (the Capital Financing Requirement).

26. ASSETS HELD FOR SALE

An asset is classified as held for sale if the asset's carrying amount will be recovered principally through a sale transaction rather than through continued use, and the following criteria are met:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. If assets no longer meet the criteria to be classified as Held For Sale they are reclassified back to non current assets and valued at the lower of their carrying amount before they were classified as Held For Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held For Sale, and their recoverable amount at the date of the decision not to sell.

The list of assets falling within this category at the Balance Sheet Date is determined by the Head of Asset Management.

Using the above criteria it follows that assets held for sale will usually be classified as Current Assets on the Balance Sheet; however under exceptional circumstances beyond the Council's control, completion of the sale may be expected to take more than one year, in which case they will appear under Non-Current Assets.

27. INVESTMENT PROPERTIES

Investment properties are those that are held solely to earn rentals, for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services, or production of goods, or is held for sale.

The majority of the Council's commercial rent portfolio is deemed to fall into this category. Property that is used to facilitate the provision of services, for example a building which is occupied by Council staff, does not meet the definition of investment property and is accounted for as property, plant and equipment.

Investment properties are measured initially at cost and subsequently re-valued to a fair value basis (that is, based on the amount at which the asset could be exchanged between knowledgeable partners at arm's length) to reflect market conditions at each balance sheet date.

Investment properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment line and result in a gain to the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory regulation to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for sale proceeds in excess of £10,000, to the Capital Receipts Reserve.

28. LEASES

A lease is defined as an agreement for the use of an asset for an agreed period of time in return for a series of payments. Leases can be classed as either finance, or operating leases and leases are classified into these categories based on the extent to which risks and rewards incidental to ownership of an asset transfer with the lease. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases.

In accordance with IFRIC 4, any arrangements containing a series of transactions which convey the right to use specified assets may be determined to contain a lease agreement even if they do not take the legal form of a lease. For such arrangements the lease is classified as a finance or operating lease in accordance with the relevant accounting policies and the payments relating to the agreement are split between amounts relating to the lease and other payments.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification**.** In classifying leases as either finance or operating, the Council considers the following factors:

- Does the lease transfer ownership of the asset to the lessee by the end of the lease term?
- Does the lessee have the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain that the option will be exercised?
- Is the lease term for the major part of the economic life of the asset?

- Does the net present value of the minimum lease payments amount to at least substantially all of the fair value of the leased asset?
- Are the assets leased of such a specialised nature that only the lessee can use them without major modifications?
- If the lessee can cancel the lease, are the lessor's losses associated with the cancellation borne by the lessee?
- Do the gains or losses from the fluctuation in fair value of the leased asset's residual interest accrue to the lessee?
- Does the lessee have the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent?

In considering whether the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, the Council has determined that 75 per cent equates to 'substantially all'.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Finance leases will only be recognised where their omission is likely to create a material misstatement in the accounts. Assets with a fair value below £20,000 at the inception of the lease agreement will not be considered.

Evidence collected from schools suggests that there is little prospect of creating a material error by applying the assumption that all schools leases, the majority of which relate to low value equipment items, are operating leases. This assumption will be applied in 2010/11 and kept under review, based upon further information received in subsequent years.

a) THE COUNCIL AS LESSEE

<u>Finance Leases</u>

A finance lease is a lease that transfers substantially the entire risks and rewards incidental to the use of the asset regardless of whether legal title has transferred.

The Council as a lessee recognises finance leases as assets and liabilities on the balance sheet that is a corresponding creditor is created for future lease payments at amounts equal to the lower of fair value or the present value of the minimum lease payments. The discount rate used is the rate implicit in the lease, or the Council's incremental borrowing rate, whichever is more practicable.

Rentals payable are apportioned between:

- Finance charge (interest). The finance charge is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes payable; and

- The reduction of the outstanding liability. The liability is written down as the rent becomes payable.

Assets recognised under finance leases are accounted for using the policies applied generally to items of Property Plant and Equipment. The depreciation and revaluation of assets recognised under finance leases is consistent with the policy for owned assets, however the depreciation charge for finance leases is set at the same level as the write down of the liability each year and charged over the shorter of the lease term

and the asset's estimated useful life. After initial recognition, such assets are subject to revaluation in the same way as any other asset.

<u>Operating Leases</u>

Leases that do not meet the definition of finance leases are accounted for as operating leases. Namely, these allow the Council to have the use, but not the effective ownership of assets over the term of the lease. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

b) THE COUNCIL AS LESSOR

<u>Finance Leases</u>

Where the Council grants a finance lease, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset on the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property, applied to write down the lease debtor (together with any premiums received); and

- Finance income, credited to the Financing and Investment Income and Expenditure line in the Comprehensive income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to be charged to the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received this is posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future years, this is posted to the Deferred Capital Receipts Reserve. When future rentals are received, the element for the capital receipt is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax. Amounts are therefore appropriated to the Capital Adjustment Account via the Movement in Reserves Statement.

<u>Operating Leases</u>

Where the Council grants an operating lease over an asset the asset is retained on the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments e.g. there is a premium paid at the start of the lease.
As part of the transition to International Financial Reporting Standards the Council recognised a number of leases as finance leases which were previously classed as operating leases. The effects of these restatements are included in the comparator figures in the Financial Statements.

29. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities.

Typical financial assets include bank deposits, trade receivables and other receivables, loans receivable and advances. Typical financial liabilities include trade payables and other payables, borrowings and financial guarantees.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

The IFRS Code requires gains and losses (premiums and discounts) on the repurchase or early settlement of borrowing to be written off to the Comprehensive Income and Expenditure Statement. However, because of the implications on Council Tax, the Local Authorities (Capital Finance and Accounting) (Amendment) Regulations 2007 gives the discretion to Local Authorities to override the accounting standard and spread the charge over future years.

Authorities are allowed by regulation to spread the impact of premiums and discounts on Council Tax over the life of the replacement loans. The reconciliation of amounts charged to the Comprehensive Income to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The HRA is still required by Regulations to be charged over the life of the old loan or ten years, whichever is shorter; the HRA is then debited and the Comprehensive Income and Expenditure Statement credited with the annual charge.

Financial Assets

Financial assets are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based upon the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Authority do not hold any available for sale assets.

<u>Loans and Receivables</u>

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The Council has made a small number of soft loans, i.e. loans at less than market rates, for example, season ticket loans. However, these are not considered to be material and no adjustments have been made to the accounts.

30. EMBEDDED DERIVATIVES

An embedded derivative is an instrument within a Council service contract that may cause the future price of the contract to change. In accordance with IAS 39 the Council is required to separately account for any embedded derivatives where the economic risks and characteristics of the derivative are not closely related to the risks and characteristics of the host contract. The Council has reviewed its contracts for evidence of embedded derivatives and is satisfied that no contracts meet these criteria.

31. LONG TERM DEBTORS

These relate to advances for house purchase and housing association activities at year-end.

32. INVENTORIES (formally known as stocks)

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

As at 31 March 2011, the Council only maintained a Transport Store where the value of inventories held were stated at cost values.

33. INTERESTS IN COMPANIES AND OTHER ENTITIES

The CIPFA Code requires local authorities to consider all their interests and prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council has reviewed its relationships with its partner organisations in accordance with the accounting tests contained in the Code and has

concluded that there is only one organisation that the Council considers falls within the definition of group accounts that has a material effect on the financial statements. This is the Arms Length Management Organisation (ALMO) - Ascham Homes Limited. The Council delegated responsibility to the ALMO to oversee the management and maintenance of its residential housing stock with effect from 1 May 2003. It is a London Borough of Waltham Forest controlled company, established with no share capital and limited by guarantee, and is considered to be a wholly owned subsidiary.

Full disclosure of operations and transactions with Ascham Homes has been included in the related third party disclosure note on page 73 and its accounts have been fully consolidated into the financial statements included in the Group Accounts section.

The Council has entered into other joint ventures (NPS - Norfolk Property Services (London), LEP – Waltham Forest Local Education Partnership Limited). In accordance with the accounting tests, these relationships do not give rise to material obligations or a significant degree of influence or control and have therefore been treated as simple investments.

34. PRIVATE FINANCE INITIATIVE (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the council at the end of the contracts for no additional charge, the council carries the fixed assets used under the contracts on the Balance Sheet.
The Council has entered into certain contracts for services under the Private Finance Initiative (PFI). These services include the provision of a property in order to provide the contracted service. In accordance with IFRIC 12, when accounting for such contracts the Council considers: -

- Whether the authority controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price.

- Secondly, whether the authority controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

If both of these tests are met then the arrangement is accounted for as an on balance sheet PFI scheme. The assets provided under the contract form part of the Council's property, plant and equipment and a balance sheet creditor is created to reflect the future liability to pay for the asset through the PFI unitary charge.

The amounts payable to the PFI operators each year are analysed into five elements:

1. Fair value of the services received during the year. This is debited to the relevant service in the Income and Expenditure Account.
2. Finance cost, being an interest charge on the outstanding Balance Sheet liability, at the rate implicit in the contract. This is debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
3. Contingent rent, being increases in the amount to be paid for the property arising during the contract. This is debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
4. Payment towards liability, being amounts applied to write down the Balance Sheet liability towards the PFI operator

5. Lifecycle replacement costs, recognised as enhancements to fixed assets on the Balance Sheet.

Further details of the Council's PFI contracts are disclosed in note 49.

The Council has three PFI contracts: Lammas School, Grouped Schools and Frederick Bremer School. In all of these cases the arrangement has been deemed to meet the requirements of being on balance sheet and therefore the assets used to provide the services sit on the balance sheet of the Council. When accounting for unitary charge payments made to the Contractor these are split into amounts relating to the payment for the construction of the School asset and amounts which reflect payments for services being provided by the operator.

Assets held on the balance sheet as a result of PFI arrangements are depreciated and re-valued in accordance with the Council's policies on property, plant and equipment.

There is no overall impact on the Council's General Fund Balance as a result of these entries since the net effect of the entries is cancelled out by appropriations to the Capital Adjustment Account which are shown in the Movement in Reserves Statement. The purpose of the accounting policy is to ensure that the accounts fully reflect the economic impact of the contractual arrangements and are consistent with reporting standards.

35. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the relevant service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund via the Movement in Reserves Statement so that there is no net charge to Council Tax for the expenditure.

The Council sets aside specific amounts as reserves for earmarked purposes that fall outside the definition of provisions. Further details on earmarked reserves are given in note 43.

36. UNUSABLE RESERVES

Certain reserves are kept to manage the accounting process for non current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council. These reserves are:

- Revaluation Reserve
- Capital Adjustment Account
- Pensions Reserve
- Employee Benefit Adjustment Account
- Financial Instruments Adjustment Account
- Collection Fund Adjustment Account
- Deferred Capital Receipts Reserve
- Unequal Pay Back Pay Account

There are three capital reserves in the balance sheet, these are:

Revaluation Reserve

Records unrealised net gains (if any) from revaluation and represents the accumulated gains on revaluation less amounts written off owing to depreciation, revaluation losses and impairment losses recognised in the reserve.

Capital Adjustment Account

This comprises the write down of historical cost of fixed assets as they are consumed, including depreciation, impairment and amounts written off on disposal, and those resources that have been applied to finance capital expenditure.

Deferred Capital Receipts Reserve

This reserve holds the gains recognised on the disposal of non–current assets but which the cash settlement has yet to take place.

37. COLLECTION FUND

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). This account receives income on behalf of the Council and its other preceptor, the Greater London Authority (GLA).

Council Tax income for the year is the Council’s accrued income for the year and not the amount required to be transferred from the Collection Fund under regulation. The difference between the amount included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included within the Movement of Reserves Statement.

The cash collected by the Council from Council Tax debtors belongs proportionately to the billing authority and the preceptor. This results in a debtor/creditor position between the Council and preceptor for the difference between the cash collected from Council Tax debtors and the precept paid over during the year. The Balance Sheet includes the Council’s share of Council Tax arrears and impairment for bad debts, Council Tax over payments and prepayments and the debtor/creditor from the preceptor.

The Council’s share of net cash collected from Council Tax debtors in the year is included within the Cash Flow Statement. The difference between the major preceptors’ share of net cash collected and amounts paid to the precepting authorities is included in the net cash-flows for financing activities.

The amount included in the Council’s Balance Sheet is the amount of cash collected from NNDR taxpayers (less the amount retained in respect of a cost of collection allowance) that has not yet been paid to the Government or has been overpaid to the Government on the Balance Sheet date.

38. VALUE ADDED TAX (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty’s Revenue and Customs. VAT receivable is excluded from income.

39. EVENTS AFTER THE BALANCE SHEET DATE (known as the reporting date)

Events after the reporting period are those events that occur between the balance sheet date and the date on which the statements are authorised for issue.

When events have occurred, favourable and unfavourable, after the balance sheet date and the event provides information about the conditions that existed at this date then appropriate adjustments are made to the financial statements.

The Statement of Accounts is adjusted to reflect such events only where there is evidence that the conditions existed at the balance sheet date; these are classed as adjusting events.

If the event provides evidence of conditions that arose after the balance sheet date appropriate adjustments will be made in the financial statements of the following year. These are known as non-adjusting events. However, if these are of a material nature they are disclosed in the notes to the financial statements.

The amounts included in the accounts will not be adjusted if the events are indicative of, or there is evidence that the conditions arose after the balance sheet date (known as non-adjusting event). However, the nature of the event and an estimate of the financial effect on the statements, providing that such an estimate can be made reliably, will be disclosed.

40. TRANSITIONAL ACCOUNTING POLICY WITH EFFECT FROM 1 April 2010 AND RETROSPECTIVE AND PROSPECTIVE EFFECTS

Whilst IFRS requires that changes in accounting policy be accounted for retrospectively and accumulatively this may not always be practical, plausible or cost effective. The CIPFA SORP requires this approach (Module 10 paragraph A3) for the first set of transitional accounts. Effectively the following IFRS requirements are not required for the first set of transitional accounts. The following sets of exemptions applicable to local government apply;

- Depreciated Historical Cost – The capital revaluation reserve was only implemented in 2007. The amounts calculated then were deemed to be the carrying value. Waltham Forest following the CIPFA codes preserves this treatment and will make no alterations to carrying values bought forward, excepting any leases (for which there are none) and impairments (for which there are none). This saves the Council from creating individual balances for each and every asset. Any accounting amendments will therefore be prospective rather than retrospective.

- IFRIC 4 Determining whether an arrangement contains a lease – Any restatement will be effective as at 1 April 2009 without the council having to go back to lease inception because of the complexity of these arrangements.

- Financial Instruments – there is no need to restate these as the CIPFA code introduced IFRS accounting for this issue in 2007.

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SECTION – 3

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT 2009/10 and 2010/11

Movement in Reserves Statement 2009/10	**General Fund Balance**	**Earmarked Reserves**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repair Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**	**Notes**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Balance at 31 March 2009	**3,475**	**69,947**	**3,113**	**4,331**	**4,932**	**5,643**	**91,441**	**564,754**	**656,195**	
Movement in reserves during 2009/10										
Surplus or (deficit) on provision of services	(12,256)	0	(17,644)	0	0	0	**(29,900)**	0	(29,900)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	**0**	(25,421)	(25,421)	
Total Comprehensive Expenditure and Income	(12,256)	0	(17,644)	0	0	0	**(29,900)**	(25,421)	(55,321)	
Adjustments between accounting basis and funding basis under regulations	13,350	(43)	17,012	2,655	1,645	(173)	**34,446**	(34,455)	(9)	**5**
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,094**	**(43)**	**(632)**	**2,655**	**1,645**	**(173)**	**4,546**	(59,876)	(55,330)	
Transfers to/from Earmarked Reserves	3,439	(3,248)	(191)	0	0	0	**0**	0	0	
Increase/Decrease (movement) in Year	4,533	(3,291)	(823)	2,655	1,645	(173)	**4,546**	(59,876)	(55,330)	
Balance at 31 March 2010 carried forward	**8,008**	**66,656**	**2,290**	**6,986**	**6,577**	**5,470**	**95,987**	**504,878**	**600,865**	

Movement in Reserves Statement 2010/11	**General Fund Balance**	**Earmarked Reserves**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repair Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**	**Notes**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Balance at 31 March 2010	**8,008**	**66,656**	**2,290**	**6,986**	**6,577**	**5,470**	**95,987**	**504,878**	**600,865**	
Movement in reserves during 2010/11										
Surplus or (deficit) on provision of services	22,993	0	(202,216)	0	0	0	**(179,223)**	0	(179,223)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	**0**	(2,791)	(2,791)	
Total Comprehensive Expenditure and Income	22,993	0	(202,216)	0	0	0	**(179,223)**	(2,791)	(182,014)	
Adjustments between accounting basis and funding basis under regulations	(23,356)	0	203,381	2,004	3,003	(722)	**184,310**	(184,317)	(7)	**5**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(363)**	**0**	**1,165**	**2,004**	**3,003**	**(722)**	**5,087**	(187,108)	(182,021)	
Transfers to/from Earmarked Reserves	2,168	(7,881)	(1,461)	0	0	7,174	**0**	0	0	
Increase/Decrease (movement) in Year	1,805	(7,881)	(296)	2,004	3,003	6,452	**5,087**	(187,108)	(182,021)	
Balance at 31 March 2011	**9,813**	**58,775**	**1,994**	**8,990**	**9,580**	**11,922**	**101,074**	**317,770**	**418,844**	

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2011

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

RESTATED 2009/10 Net Expenditure £'000		2010/11 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Notes
4,996	Central Services to the Public	36,718	33,410	3,308	
50,236	Cultural, Environmental, Regulatory & Planning Services	76,657	28,796	47,861	
73,037	Children's & Education Services	415,937	336,603	79,334	
16,261	Highways and Transport services	36,027	16,481	19,546	
6,619	Local Authority Housing (HRA)	46,343	53,873	(7,530)	
7,732	Other Housing Services	197,951	180,077	17,874	
65,591	Adult Social Care	78,973	13,106	65,867	
3,787	Corporate and Democratic Core	13,199	5,739	7,460	
(1,297)	Non distributed costs	2,956	2,362	594	
0	Exceptional costs	151,961	0	151,961	
226,962	**Cost Of Services**	**1,056,722**	**670,447**	**386,275**	
14,972	Other Operating Expenditure	27,107		27,107	**6,14**
46,613	Financing and Investment Income & Expenditure	69,936	(28,334)	41,602	**15**
(258,647)	Taxation and Non-Specific Grant Income		(275,761)	(275,761)	**13,16**
29,900	**(Surplus) or Deficit on Provision of Services**			**179,223**	
(46,135)	(Surplus) or deficit on revaluation of non current assets			(22,038)	**17**
71,556	Actuarial (gains) / losses on pension assets / liabilities			24,829	**18,25**
25,421	Other Comprehensive Income & Expenditure			2,791	
55,321	**Total Comprehensive Income and Expenditure**			**182,014**	

Exceptional Items
In 2010/11 two items, totalling £152 millon, have been treated as exceptional items. Both items have no impact upon the General Fund or Housing Revenue Account Balances as they are reversed out in the Movement in Reserves Statement. However, both affect the net worth of the Council on the Balance Sheet.

Council Dwellings
In 2010/11, the CLG issued new guidance on stock valuation for HRA resource accounting. Although the principles behind the valuation methodology remained the same, there was an important change to the adjustment factor to reflect changes in the residential housing market over the last five years. The adjustment factor measures the difference between market rented and social rented property at a regional level. The adjustment factors affecting London and the South East have reduced from 37% to 25%, reducing the value of Council dwellings by £200.6 million.

Post Employment Retirement Benefits - FRS17/IAS19
In the Chancellor's budget statement on 22 June 2010, it was announced that public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI), with effect from 1 April 2011. This has hac the effect of reducing liabilities in the Pension Fund by £48.6 million, this has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48.

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BALANCE SHEET AS AT 31 MARCH 2011

The Balance Sheet is fundamental to the understanding of the Council's financial position at the year end. It shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the authority.

2008/09 £'000	2009/10 £'000		2010/11 £'000	Notes
		NON CURRENT ASSETS		
611,931	626,246	Council dwellings	430,187	
554,891	591,285	Other land and buildings	600,126	
7,658	6,297	Vehicles, plant and equipment	4,956	
66,967	65,343	Infrastructure	66,808	
13,482	14,271	Community assets	14,571	
1,508	13,254	Assets under construction	17,156	
0	606	Surplus assets	91	
1,256,437	**1,317,302**	**Property, Plant & Equipment**	**1,133,895**	**30,35**
46,239	32,426	Investment Property	32,525	**32**
353	1,185	Intangible Assets - Software	751	**33**
8,000	0	Non Property (Long Term) Investments	0	
3,941	3,886	Long Term Debtors	3,872	**38**
1,314,970	**1,354,799**	**LONG TERM ASSETS**	**1,171,043**	
28,587	34,090	Non property (Short Term) Investments	71,139	**51**
4,926	934	Assets Held for Sale (less than 1 year)	925	**34**
234	22	Inventories	25	**39**
62,656	68,813	Short Term Debtors (including provisions)	48,697	**41**
18,006	30,038	Cash and Cash Equivalents	28,014	**40**
114,409	**133,897**	**CURRENT ASSETS**	**148,800**	
(9,862)	(15,090)	Cash and Cash Equivalents (bank overdraft)	(7,908)	**63**
(9,598)	(4,199)	Short Term Borrowing	(5,859)	
(67,716)	(62,665)	Short Term Creditors	(61,593)	**42**
(2,408)	(2,112)	PFI creditor within 1 year	(2,225)	**49**
(14,475)	(9,427)	Provisions (less than 1 year)	(7,665)	**53**
(16,177)	(8,268)	Capital Grants & Contributions Receipts in Advance	(13,559)	**13**
(120,236)	**(101,761)**	**CURRENT LIABILITIES**	**(98,809)**	
(8,556)	(6,581)	Provisions	(5,152)	**53**
(292,936)	(347,103)	Long Term Borrowing	(380,418)	**54-57**
(276,478)	(359,962)	Net Pensions Liability	(346,550)	**26**
(4,481)	(4,039)	Finance Lease Liability	(3,910)	**7**
(70,496)	(68,385)	PFI Creditors	(66,160)	**49**
(652,947)	**(786,070)**	**LONG TERM LIABILITIES**	**(802,190)**	
656,196	**600,865**	**NET ASSETS**	**418,844**	
		Usable reserves		
3,476	8,008	General Fund	9,814	**43**
69,947	66,656	Earmarked Reserves	58,773	**43**
3,113	2,290	Housing Revenue Account	1,995	**43**
4,331	6,986	Usable Capital Receipts Reserves	8,991	**43**
4,932	6,577	Major Repairs Reserve	9,580	**43**
5,643	5,470	Capital Grants Unapplied	11,921	**43**
91,442	**95,987**	**TOTAL USABLE RESERVES**	**101,074**	
		Unusable Reserves		
156,176	196,860	Revaluation Reserve	207,495	**44**
(276,478)	(359,962)	Pension Reserve	(346,550)	**44**
723,657	697,050	Capital Adjustment Account	481,761	**44**
90	43	Deferred Capital Receipts	32	**44**
(21,650)	(21,197)	Financial Instruments Adjustment Account	(20,744)	**44**
0	0	Available for Sale Financial Instruments Reserve	0	
(2,629)	(718)	Collection Fund Adjustment Account	1,842	**44**
(9,820)	(1,491)	Unequal Pay Back Pay Account	(541)	**44**
(4,592)	(5,707)	Accumulated Absence Account	(5,525)	**44**
564,754	**504,878**	**TOTAL UNUSABLE RESERVES**	**317,770**	
656,196	**600,865**	**TOTAL RESERVES**	**418,844**	

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NOTES TO THE BALANCE SHEET

Reserves are now reported in two categories:

(i). Usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

(ii). Unusable Reserves i.e. those reserves that the Authority is not able to use to provide services. This category of reserves includes those that hold unrealised gains and losses (e.g. the Revaluation Reserve).

The Balance Sheet shows its balances and reserves as well as its long term indebtedness, its fixed and net current assets employed together with summarised information on the fixed assets held.

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CASH FLOW STATEMENT

The Cashflow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

RESTATED 2009/10 £'000		2010/11 £'000	Notes
(29,900)	Net surplus or (deficit) on the provision of services	(179,223)	
94,507	Adjustment to surplus or (deficit) on the provision of services for non cash movements	253,836	
(41,381)	Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	(43,946)	
23,226	Net Cash flows from operating Activities	30,667	59,60
(59,920)	Net Cash flows from Investing Activities	(60,588)	61
43,498	Net Cash Flows from Financing Activities	35,079	62
6,804	Net increase or (decrease) in cash and cash equivalents	5,158	
8,144	Cash and cash equivalents at the beginning of the reporting period	14,948	
14,948	Cash and cash equivalents at the end of the reporting period	20,106	63

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SECTION – 4

NOTES TO THE CORE FINANCIAL STATEMENTS

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1. BEST VALUE ACCOUNTING CODE OF PRACTICE (BVACOP)

The Comprehensive Income and Expenditure Statement reports the net cost for the year of the Authority's activities and demonstrates how that cost has been financed from central government grants and income from local tax-payers.

The Best Value Accounting Code of Practice came into force for the 2000/01 accounts. Under this code, there is a mandatory service expenditure analysis to be used by all local authorities to show revenue expenditure. The intention is to provide consistency and comparability of service cost between local authorities. The Comprehensive Income and Expenditure Statement on page 47 is presented in the format required by the code.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of adoption of a new standard that has been issued but is yet to be required to be adopted.

Full adoption will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these 2010/11 statements.

Heritage Assets
Heritage assets are assets that are held by the Authority principally for their contribution to knowledge and culture.

The Authority considers that the collections contained in Vestry House Museum and William Morris Gallery should be considered as Heritage Assets. At the present time, the two buildings are held in the balance sheet at a combined carrying value of £3.8 million. However, this does not take into account the value of the collections, which we estimate for insurance purposes to be £8 million. In addition, the Dovecote at Pimp Hall Park (estimated value £60,000) and the Civic Regalia and Mayoral Insignia collection (£320,000) have been identified.

Heritage assets are to be recognised as a separate asset class for the first time in the 2011/12 financial statements. As the assets have not previously been recognised, this will require an increase in the Revaluation Reserve accounted for as a revaluation gain.

It is estimated, therefore, that the total value of heritage assets recognised in the balance sheet at 1 April 2011 will be £8.380 million, with a corresponding revaluation gain recognised in the Revaluation Reserve. There may also be an increase in the overall deprecation charge, where the useful lives of the new Heritage Assets are considered finite and determinable.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be materially impaired as a result of a need to close facilities and substantially reduce levels of service provision.

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3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

The Council has three PFI contracts, Lammas School, Grouped Schools and Frederick Bremer School. In all three cases the arrangements have been deemed to meet the requirements of being on balance sheet and are therefore treated as assets of the Council.

The Council is deemed to have a subsidiary relationship with Ascham Homes by being able to control the entity through the power to govern their financial and operating policies so as to obtain benefit from the entities activities. As such, Ascham Homes has been consolidated on a line by line basis into the Council's Group Accounts.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet as at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment
Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

Effect if actual results differ from assumptions
If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that, if the useful lives of all property assets were reduced by 1 year, the annual depreciation charge would increase by £1.7 million; for 2 years the increase would be £4.3 million. However since this charge is reversed out through the Movement in Reserves Statement, there would be no impact on the General Fund or HRA.

Provisions
The Authority has made a provision of £2.036 million for the settlement of claims for back pay arising from the equal pay initiative based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority, or that precedents set by other authorities in the settlement claims will be applicable.

Effect if actual results differ from assumptions
An increase over the forthcoming year of 10%, in either the total number of claims or the estimated average settlement, would have the effect of adding £203,600 to the provision needed.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY continued

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions

The effects on the net pensions liability of changes in individual assumptions can be measured, for instance a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £65 million.

However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had increased by £21.3 million as a result of experience differing from the actuarial assumptions adopted for the previous year (made up of an increase in the benefit obligation of £49.3 million, offset by an increase of £28 million in the asset value). This was increased by a further £3.5 million, attributable to updating the assumptions used to value the Authority's benefit obligation within the Pension Fund.

It should be noted that the £49.3 million "experience loss" on the benefit obligation is an accumulation of gains and losses over the three year period between the 2007 and 2010 actuarial valuations of the Fund. This equates to a loss of approximately 2% per annum of the Authority's benefit obligation within the Pension Fund. The £28 million "experience gain" on assets also includes the impact of the 2010 actuarial valuation, similarly equating to approximately 2% per annum of the Authority's share of Pension Fund assets. This is the amount of gains or losses that would typically be expected to be recognised every three years following the actuarial valuation of the London Borough of Waltham Forest Pension Fund.

Arrears

At 31 March 2011, the Authority had a balance of sundry debtors for £13.7 million. A review of significant balances suggested that an allowance for doubtful debts of 5% (£2.0 million) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

Effect if actual results differ from assumptions

If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £2.0 million to be set aside as an allowance.

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5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION

This note details the adjustments that are made in the Movement in Reserves Statement to adjust the total comprehensive income and expenditure total recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet capital and revenue expenditure.

2010/11	**General Fund Balance £'000**	**Earmarked Reserves £'000**	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied Account £'000**	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:(CIES)							
Charges for depreciation and impairment of non current assets	31,499	0	9,061	0	0	0	(40,560)
Revaluation losses on Property, Plant and Equipment	7,588	0	208,167	0	0	0	(215,755)
Movements in the market value of investment properties	(414)	0		0	0	0	414
Capital grants and contributions applied	(33,071)	0	(594)	0	0	0	33,665
Use of capital grants and contributions to finance capital expenditure	720	0	2	0	0	(722)	0
Revenue expenditure funded from capital under statute	335	0	20	2	0	0	(357)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	20,701	0	1,190	0	0	0	(21,891)
Prior Year adjustments	0	0	0	0	0	0	(7)
Insertion of items not debited or credited to the CIES:							
Statutory provision for the financing of capital investment	(9,018)	0	(338)	0	0	0	9,356
Capital expenditure charged against the General Fund and HRA balances	(1,352)	0	(1,768)	0	0	0	3,120
Adjustments primarily involving the Capital Receipts Reserve:							
Transfers of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(1,325)	0	(1,873)	3,198	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(85)	0	0	85
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	30	0	20	(50)	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,074	0	0	(1,074)	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	0	0	13	0	0	(13)

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION continued

2010/11 continued	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	0	0	(8,243)	0	8,243	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	(5,240)	0	5,240
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	1,221	0	(1,674)	0	0	0	453
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited to the CIES (see note 25)	(15,737)	0	(237)	0	0	0	15,974
Employer's pensions contributions and direct payments to pensioners payable in the year	(21,920)	0	(347)	0	0	0	22,267
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the CIES is different from the council tax income calculated for the year in accordance with statutory requirements	(2,560)	0	0	0	0	0	2,560
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:							
Amount by which amounts charged for equal pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(950)	0	0	0	0	0	950
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(177)	0	(5)	0	0	0	182
Total for 2010/11	**(23,356)**	**0**	**203,381**	**2,004**	**3,003**	**(722)**	**(184,317)**

2009/10 Comparative Figures	**General Fund Balance £'000**	**Earmarked Reserves £'000**	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied Account £'000**	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CIES							
Charges for depreciation and impairment of non current assets	38,697	0	26,738	0	0	0	(65,435)
Capital grants and contributions applied	(30,143)	0	0	0	0	0	30,143
Revenue expenditure funded from capital under statute	1,398	0	0	6	0	0	(1,404)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	12,083	0	2,756	0	0	0	(14,839)
Insertion of items not debited or credited to the CIES:							
Statutory provision for the financing of capital investment	(8,391)	0	(526)	0	0	0	8,917
Capital expenditure charged against the General Fund and HRA balances	(2,396)	0	(79)	0	0	0	2,475
Adjustments primarily involving the Capital Grants Unapplied Reserve:							
Capital grants and contributions unapplied credited to the CIES	50	0	0	0	0	(50)	0
Capital grants and contributions unapplied credited to the CIES	(2,854)	0	0	0	0	2,854	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	(43)	0	0	0	(2,967)	3,010
Other Adjustments	0	0	0	0	0	(10)	0
Adjustments primarily involving the Capital Receipts Reserve:							
Transfers of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	(4,073)	0	(2,454)	6,574	0	0	(47)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(3,916)	0	0	3,916
Write back of receipts used to finance abortive capital expenditure	0	0	0	221	0	0	(221)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	230	0	0	(230)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0	0

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION continued

2009/10 Comparative Figures continued	**General Fund Balance £'000**	**Earmarked Reserves £'000**	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied Account £'000**	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	0	0	(7,941)	0	7,941	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	(6,296)	0	6,296
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	1,242	0	(1,696)	0	0	0	454
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited to the CIES (see note 25)	30,872	0	577	0	0	0	(31,449)
Employer's pensions contributions and direct payments to pensioners payable in the year	(19,150)	0	(371)	0	0	0	19,521
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the CIES is different from the council tax income calculated for the year in accordance with statutory requirements	(1,911)	0	0	0	0	0	1,911
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:							
Amount by which amounts charged for equal pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(3,412)	0	0	0	0	0	3,412
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1,108	0	8	0	0	0	(1,116)
Total for 2009/10	**13,350**	**(43)**	**17,012**	**2,655**	**1,645**	**(173)**	**(34,456)**

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6. LEVIES

The Council has a statutory duty to contribute toward the cost of certain other organisations. Under Best Value, these costs are included in service costs and treated as local expenditure.

	2009/10 £'000	2010/11 £'000
Environment Agency	152	150
Lee Valley Regional Park Authority	233	230
London Boroughs Grants Scheme	775	772
London Pension Fund Authority	374	222
North London Waste Authority	5,268	5,917
	6,802	7,291

7. LEASES

<u>Authority as Lessee</u>

Finance Leases

The Council has interests in a number of buildings and its leased heating agreement under finance leases. The assets aquired under the leases are carried as Investment Properties and Vehicles, Plant and Equipment in the balance sheet at the following net amounts:-

	2009/10 £'000	2010/11 £'000
Investment Properties	7,435	7,435
Vehicles, Plant & Equipment	748	374
Total	8,183	7,809

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property aquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Finance lease liabilities (net present value of minimum lease payments)	2009/10 £'000	2010/11 £'000
Current	339	129
Non Current	4,037	3,910
Finance costs payable in future years	24,203	23,855
Minimum lease payments	28,579	27,894

7. LEASES continued

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2009/10	**2010/11**	**2009/10**	**2010/11**
	£'000	**£'000**	**£'000**	**£'000**
Not later than 1 year	687	465	339	129
Later than 1 year & not later than 5 years	1,461	1,328	130	2
Later than 5 years	26,433	26,101	3,908	3,908
	28,581	27,894	4,377	4,039

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11, £561,000 of contingent rents were payable by the Authority (£314,000 in 2009/10).

Operating Leases

The Authority leases in a number of buildings through operating leases, and this mechanism is also used by many of its schools to procure some items of equipment, e.g. photocopiers and printers.

The future minimum lease payments due under non-cancellable leases in future years are:

	2009/10	2010/11
	£'000	**£'000**
Not later than 1 year	1,449	1,351
Later than 1 year and not later than 5 years	3,282	2,022
Later than 5 years	563	472
	5,294	3,845

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2009/10	2010/11
	£'000	**£'000**
Minimum lease payments	1,432	1,581
Contingent rents	495	86
	1,927	1,667

7. LEASES continued

Authority as Lessor

Finance Leases

The Authority has leased out property at the Selborne Walk Shopping Centre to the Mall Limited Partnership on a finance lease with a remaining term of 102 years.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2009/10 £'000	2010/11 £'000
Finance lease long term debtor (net present value of minimum lease payments)	3,817	3,816
Unearned finance income	22,416	22,162
	26,233	25,978

The gross investment in the lease will be received over the following periods:

	Gross Investment in Lease	
	2009/10 £'000	2010/11 £'000
Not later than 1 year	254	255
Later than 1 year and not later than 5 years	1,019	1,019
Later than 5 years	24,960	24,704
	26,233	25,978

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11, £345,000 contingent rents were receivable by the Authority (£292,000 in 2009/10).

Operating Leases

The Authority leases out property and equipment under operating leases for the provision of community services, such as sports facilities, tourism services and community centres; and for economic development purposes to provide suitable affordable accommodation for local businesses.

7. LEASES continued

The future minimum lease payments receivable under non-cancellable leases in future years are £14.008 million.

	2009/10 £'000	2010/11 £'000
Not later than 1 year	1,718	1,491
Later than 1 year and not later than 5 years	5,117	4,534
Later than 5 years	8,891	7,983
	15,726	14,008

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustements following rent reviews. In 2010/11, £251,000 contingent rents were receivable by the Authority (£246,000 in 2009/10).

8. TRANSFERS TO SCHOOLS RESERVES

Under the terms of the Education Reform Act 1988, locally managed schools are able to carry forward their unspent balances from year to year. School reserves have been earmarked to remain at the disposal of the school, and are not available to the Council for general use. In 2010/11 the schools' earmarked reserves decreased by £238,000.

Schools' Standards Funds are classified as deferred income and shown with creditors.

9. MINIMUM REVENUE PROVISION

The Local Government Act 2003 requires Councils to charge their General Fund with a Minimum Revenue Provision (MRP) for the repayment of external loans. From 2007/08, the Council was free to make its own assessment of a prudent MRP. There is no longer a requirement to charge MRP to the HRA.

In determining the MRP for 2010/11, the Council has followed Government guidance issued in February 2008 and has complied with Statutory Instrument 2008 no 414. The MRP calculation for 2010/11 applied Option 1 of the guidance for existing borrowing, and new capital expenditure financed from supported borrowing, which means that this element will continue to be charged at 4%. The calculation of MRP elements based on capital expenditure, financed from unsupported borrowing will reflect the Option 3 asset life method, whereby relevant capital expenditure will effectively be written down by MRP over the estimated useful life of the related asset.

On this basis the General Fund MRP charge for 2010/11 was £5.971 million (£5.502 million in 2009/10). In addition, the Council makes a revenue provision towards the liabilities resulting from the construction of PFI assets and any in-year lifecycle works. In 2010/11 this was £3.385 million (£3.317 million in 2009/10 restated).

The total MRP for 2010/11 is therefore £9.356 million (£8.189 million in 2009/10 restated) and this is shown in the Movement in Reserves Statement.

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10. AGENCY SERVICES

The Authority provides a number of agency services for three organisations:-

The provision of committee services for the Metropolitan Community Consultancy Group.
The provision of building cleaning services to NPS London Ltd and Waltham Forest College.

The Authority carrying out the agency services is reimbursed by the responsible bodies to the extent of approved expenditure with an agreed contribution towards administrative costs.

	2009/10 £'000	2010/11 £'000
Metropolitan Community Consultancy Group	50	49
Waltham Forest College	15	15
NPS London Ltd	17	16
	82	80
Net surplus arising on the agency arrangements	4	3

11. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

Under the Transport Act 2000, the Council provides on-street car parking. The income generated from this activity produces a relatively modest surplus but expenditure incurred on eligible items such as road maintenance, traffic management and concessionary fares is far higher. The Parking Account, therefore, allocates the entire surplus to road maintenance. The gross expenditure on the Parking Account in 2010/11 was £6.457 million (£7.012 million in 2009/10), the gross income in 2010/11 was £7.943 million (£8.108 million in 2009/10). Therefore, the surplus on on-street parking in 2010/11 amounted to £1.486 million (£1.096 million in 2009/10).

12. LOCAL AREA AGREEMENT (LAA)

The Council is a participant in an LAA, a partnership with other bodies from the private, public, voluntary and community sectors. It sets out priorities for the local area and all of its public services. A three year LAA was agreed and commenced on 1 April 2008. Prior to 2008/09, funding for the achievement of jointly agreed objectives for the area was supplied by LAA grant. Since 2008/09 additional resources required to achieve LAA targets were found through the reallocation of existing resources including Area Based Grant, an amalgamation of funding previously ring-fenced but provided to the Council without ring-fence or reporting requirements since April 2008. LAA grant provided before 1 April 2008 which was spent during 2010/11 remains subject to reporting requirements.

The purpose of the LAA is to provide a framework within which partners can deliver better outcomes for the people of Waltham Forest. It provides for a range of performance targets linked to outcomes drawn from the National Indicator Set published by the Government and linked to the outcomes agreed in the Community Strategy. It is not a statement of all that the Council and its partners do but focuses on the agreed core priorities for improvement.

12. LOCAL AREA AGREEMENT (LAA) continued

The LAA partners are:

London Borough of Waltham Forest
Jobcentre Plus
Learning and Skills Council (closed 31/03/2010)
NHS Waltham Forest
Metropolitan Police Service
North London Connexions Limited
Whipps Cross University Hospital
National Offender Management Service
London Fire and Emergency Planning Authority
British Transport Police
Employ ULV (Upper Lea Valley)
Business Link for London
North London Ltd
Ascham Homes Ltd
VT Skills Ltd

The London Borough of Waltham Forest acts as the accountable body for the LAA, which means we are responsible for the distribution of grant paid by the Government Office for the partners involved. The Council also determines which bodies are due payments. It has, therefore, recognised the full amount of LAA grant in its financial statements and recognised grant paid to partners as expenditure.

The Coalition government reviewed government spending and announced that the second tranche of 50% of the LAA Reward Grant 2006-09 would not be paid. Cabinet considered the implications of the reduction in December 2010 and agreed revised allocations based on the recommendations of the Local Strategic Partnership Board.

The total amount of LAA Pump Priming Grant carried forward from previous years to 2010/11 is £69,000. There was no spend against this in 2010/11.

The amount of expenditure in 2010/11 financed by the LAA Reward grant was £0.285 million, leaving a balance of £0.389 million to be used in 2011/12 on the three schemes approved by Cabinet in December 2010.

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13. GOVERNMENT AND NON-GOVERNMENT GRANTS

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2009/10 £'000	2010/11 £'000
Credited to Taxation and Non Specific Grant Income		
General Government Grants		
Revenue Support Grant	(22,649)	(15,591)
Council Tax	(87,610)	(88,459)
Area Based Grant	(16,950)	(14,474)
Supporting People Grant (received as part of ABG) *	0	(8,888)
NNDR	(98,126)	(107,371)
Local Authority Business Growth Incentive (LABGI)	(316)	0
Capital Grants and Contributions		
Transport for London (GLA)	(2,846)	(3,169)
Devolved Formula Capital (DfE)	(3,416)	(2,360)
Primary Capital Programme (DfE)	(4,409)	(6,455)
Building Schools for the Future Standards Fund (DfE)	(8,178)	(753)
Basic Needs (DfE)	0	(4,234)
Modernisation (DfE)	0	(2,197)
Childrens Centre (DfE)	0	(1,798)
Heathcote School Grant (YPLA)	0	(6,034)
Growth Area Fund (CLG)	(2,684)	(1,445)
Olympics Grant (CLG)	(894)	(2,975)
Construction Skills Centre (LSC))	(4,654)	(1,244)
Other grants (Government)	(4,645)	(4,692)
Other Grants - (non-Government)	(81)	(2,726)
Other Capital contributions	(1,189)	(896)
Total Credited to Taxation and Non Specific grant Income	(258,647)	(275,761)
Credited to Services		
Revenue Grants		
Housing Revenue Account Subsidy (CLG)	(440)	(3,114)
Council Tax Benefit: Subsidy DWP)	(26,181)	(27,620)
Rent Allowance: Subsidy DWP)	(106,849)	(122,801)
Rent Rebates outside HRA: Subsidy (DWP)	(17,061)	(12,627)
Rent Rebates granted to HRA tenants: Subsidy (DWP)	(29,774)	(29,556)
Housing Benefit & Council Tax Benefit Admin Grant DWP)	(3,213)	(2,963)
Sure Start, Early Years and Childcare Grants (DfE)	(10,982)	(12,754)
School Standards Grant (including Personalisation) (DfE)	(7,988)	(8,217)
Standards Fund (excluding Elements now in ABG) (DfE)	(21,071)	(24,789)
Further Education funding (SFA) 19+ (formerly LSC)	(2,031)	(2,073)
Further Education funding (YPLA) - 16-18 funding	0	(11,873)
Adult & Community Learning from SFA (formerly LSC)	(2,494)	(2,324)
Sixth Forms funding from YPLA (formerly LSC)	(6,412)	(6,991)
Supporting People Grant (2010/11 paid as part of ABG)(CLG)	(9,831)	0
PFI Special Grant (CLG)	(8,258)	(8,258)
Dedicated Schools Grant (DfE)	(167,180)	(173,676)
Social Care Reform Grant (DH)	(868)	(1,060)
Other Revenue Grants (Government)	(8,243)	(7,464)
Other Revenue Grants and Contributions	(34,578)	(27,500)
Total Credited to Services	(463,454)	(485,660)
Total of Grants and Other Contributions credited to CIES	(722,101)	(761,421)

* Supporting People grant was redesignated from specific to general grant in 2010/11. Prior to this it was included as service income within Net Cost of Services on the Income and Expenditure Account.

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13. GOVERNMENT AND NON-GOVERNMENT GRANTS continued

The Authority has received a number of grants and contributions that have yet to be recognised as income, as they have conditions attached to them that would require the money to be returned to the Grant Body. The balances as at 31 March 2011 are as follows:-

	2010/11 £'000
Capital Grants Receipts in Advance	
Schools Devolved Standards Funds (DfE)	(2,894)
Building Schools for the Future Standards Fund (DfE)	(8,538)
Other Government grants	(1,639)
Other non-Government grants	(400)
Capital Contributions	(88)
	(13,559)
Revenue Grants Receipts in Advance	
Standard Funds Revenue (DfE)	(1,703)
Care Matters Grant (DfE)	(436)
Housing Sub-Regional - Deconversion & Extension	(999)
Dedicated Schools Grant (DfE)	(1,649)
Rent Rebates Non HRA (DWP)	(622)
Adult Community Learning	(388)
Schedule 2 Funding	(1,061)
Other Grants	(358)
	(7,216)

From 2008/09, the Local Area Agreement Grant was replaced by Area Based Grant (ABG). ABG is a non-ringfenced general grant, no conditions on use are imposed as part of the grant determination ensuring full local control over how funding can be used. This means that, unlike LAA grant, its use is not restricted to supporting the achievement of LAA targets. Also, unlike LAA grant, ABG is paid directly to the authority that benefits from the grant, rather than being paid to the upper-tier authority for the area in the capacity of 'accountable body' for onward distribution.

14. OTHER OPERATING EXPENDITURE

	2009/10 £'000	2010/11 £'000
Levies	6,802	7,290
Payments to the Government Housing Capital Receipts Pool	230	1,074
(Gains)/Losses on the disposal of non current assets	7,940	18,743
	14,972	27,107

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15. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £'000		2010/11 £'000
	Interest payable and similar charges	
14,879	Interest payable on debt	18,178
709	Interest element of finance leases (leasee)	1,167
8,853	Interest element of PFI unitary charge	8,618
24,441		27,963
	Pensions interest cost and expected return	
38,926	on pensions assets	41,973
(18,401)	Expected return on pension assets	(26,305)
20,525		15,668
	Interest receivable and similar income	
(1,042)	Investment interest income	(1,015)
(254)	Interest element of finance leases (lessor)	(600)
(1,296)		(1,615)
	Income and expenditure relating to investment properties	
2,449	Changes in fair value of investment properties	(414)
494	(Gains)/ loss on disposal of investment properties	0
2,943		(414)
46,613		41,602

16. TAXATION AND NON SPECIFIC GRANT INCOME

	2009/10 £'000	2010/11 £'000
Council Tax Income	(87,610)	(88,459)
Non domestic rates	(98,126)	(107,371)
Non-ringfenced grants		
Revenue Support Grant (RSG)	(22,649)	(15,591)
Area Based Grant (ABG)	(16,950)	(23,362)
Local Authority Business Growth Incentive (LABGI)	(316)	0
Recognised Capital grants and contributions	(32,996)	(40,978)
	(258,647)	(275,761)

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17. SURPLUS OR DEFICIT ON REVALUATION OF NON CURRENT ASSETS

	2009/10 £'000	2010/11 £'000
Revaluation Gains	(66,571)	(31,605)
Revaluation Losses (chargeable to Revaluation Reserve)	20,436	9,567
	(46,135)	(22,038)

18. ACTUARIAL GAINS/LOSSES ON PENSION ASSETS/LIABILITIES

	2009/10 £'000	2010/11 £'000
Difference between the expected and actual return on assets	(102,803)	(28,028)
Less Difference between the actuarial assumptions about liabilities and actual experience	174,359	52,857
	71,556	24,829

19. MEMBERS' ALLOWANCES

The Accounting Code of Practice requires disclosure of the total amount of Members' Allowances paid. The Local Authorities (Members Allowances) (Amendment) Regulations 1995 (the Members' Allowances Regulations), which came into force on 1 April 1995, introduced a requirement for authorities to make public schemes for Members' Allowances, and to disclose annually, amounts paid to each Member under such schemes.

The London Borough of Waltham Forest publicises Members' Allowance details in the Waltham Forest News every autumn as detailed in the Payments to Members table.

	2009/10 £'000	2010/11 £'000
Total Members' Allowances Paid	1,106	1,036
Employers National Insurance and Pension Contributions	153	162
	1,259	1,198

19. MEMBERS' ALLOWANCES continued

Payments to Members 2010/11		Basic	Special Responsibility Allowance	Subsistence & Travel Allowance	Total Payments	Employers On Costs National Insurance & Pension Cost	Total Cost
Member's name		**£**	**£**	**£**	**£**	**£**	**£**
L	Ali	10,530	22,110	0	32,640	3,447	36,087
M	Ahmad	10,530	8,424	497	19,451	2,098	21,549
A	Akram	10,530	22,461	0	32,991	3,447	36,438
N	Ali	9,369	3,737	0	13,107	1,007	14,114
R	Anwar	9,369	0	0	9,369	529	9,899
M	Asghar	10,530	0	0	10,530	617	11,147
N	Asghar	9,369	0	0	9,369	529	9,899
P J	Barnett	10,530	7,845	0	18,375	1,621	19,996
N	Bason	1,189	0	0	1,189	51	1,240
A M	Bean	10,530	19,655	0	30,185	9,622	39,807
R D	Belam	1,189	2,496	0	3,685	689	4,375
K	Bellamy	9,369	2,582	0	11,951	860	12,810
R	Berg	9,369	0	0	9,369	529	9,899
T S	Bhogal	1,189	0	0	1,189	51	1,240
L	Braham	10,530	0	84	10,614	645	11,259
P	Braham	9,369	0	0	9,369	529	9,899
M L	Broadley	1,189	474	0	1,663	96	1,759
N	Buckmaster	10,530	3,861	0	14,391	3,967	18,358
R A	Carey	1,189	1,189	0	2,378	182	2,560
C	Coghill	9,369	4,469	0	13,839	1,101	14,940
E	Davies	10,530	2,582	0	13,112	947	14,059
B	Davies	9,369	0	0	9,369	529	9,899
M T	Davis	10,530	15,441	0	25,971	2,773	28,744
P	Douglas	9,369	3,635	0	13,004	994	13,998
K	Falconer	9,369	7,269	0	16,639	1,460	18,098
M J	Fitzgerald	10,530	0	0	10,530	617	11,147
A	Gladstone	1,189	951	0	2,140	152	2,292
T	Goddard	9,369	0	0	9,369	529	9,899
J C	Gray	10,530	5,191	0	15,721	1,326	17,047
G	Hammond	9,369	7,631	0	17,001	1,618	18,619
A	Hemsted	10,530	3,159	0	13,689	3,645	17,334
J	Hemsted	10,530	2,582	0	13,112	2,399	15,511
P V	Herrington	10,530	5,576	0	16,106	1,331	17,437
S	Highfield	10,530	4,210	0	14,740	1,156	15,896
M	Hussain	5,938	0	0	5,938	334	6,271
M	Jovcic	1,189	594	0	1,783	51	1,835
J	Khan	1,189	951	0	2,140	152	2,292
H	Khan	9,369	0	117	9,487	529	10,016
A	Khan	9,369	7,269	85	16,723	1,460	18,183
M	Lewis	10,530	8,424	0	18,954	5,430	24,384
K	Limbajee	9,369	7,269	0	16,639	1,460	18,098
C W	Loakes	10,530	19,079	56	29,665	8,517	38,182
G	Lyons	9,369	5,854	0	15,223	1,233	16,457
J	Macklin	1,189	409	0	1,598	104	1,702
A	Mahmood	10,530	8,424	0	18,954	1,695	20,649
S	Mahmud	10,530	20,234	0	30,764	8,870	39,633
M	Martin	1,189	0	0	1,189	51	1,240
A	Mbachu	10,530	8,424	935	19,889	2,520	22,409
S	Meiszner	1,189	951	0	2,140	152	2,292
B	Mill	9,369	0	0	9,369	2,247	11,616
J	Morgan	1,189	0	0	1,189	51	1,240
E	Northover	10,530	0	0	10,530	617	11,147
J	O'Rourke	1,189	951	0	2,140	564	2,704
E J	Phillips	10,530	3,031	0	13,561	3,631	17,192
M E	Pye	10,530	22,110	0	32,640	3,447	36,087
S	Qadir	9,369	2,582	0	11,951	860	12,810
M F	Qureshi	10,530	1,155	0	11,685	3,277	14,962
N	Qureshi	10,530	1,155	0	11,685	1,104	12,789
S	Rackham	9,369	0	0	9,369	1,903	11,273
K A	Rayner	1,189	2,496	0	3,685	350	4,035
G	Reardon	10,530	22,110	0	32,640	10,464	43,104
C A	Robbins	10,530	43,521	225	54,276	17,327	71,602
M	Rusling	9,369	7,269	0	16,639	4,130	20,769
N	Russell	9,369	2,582	0	11,951	3,015	14,966
S	Safdar	1,189	0	0	1,189	51	1,240
A	Samih	9,369	0	0	9,369	529	9,899
A	Sarkar	1,189	0	0	1,189	51	1,240
L	Sheppard	1,189	0	0	1,189	51	1,240
A	Siggers	10,530	0	0	10,530	617	11,147
G	Sinclair	1,189	0	0	1,189	51	1,240
E G	Sizer	1,189	1,189	0	2,378	182	2,560
P	Smith	1,189	474	0	1,663	96	1,759
W	Smith	10,530	0	0	10,530	617	11,147
S	Smith-Pryor	1,189	0	0	1,189	51	1,240
R F	Sullivan	10,530	6,258	0	16,788	1,494	18,282
D S	Sunger	9,369	0	0	9,369	529	9,899
R C	Sweden	10,530	8,424	0	18,954	5,256	24,210
S	Terry	3,461	4,055	0	7,516	546	8,062
E	Vincent	9,369	7,269	0	16,639	1,460	18,098
G A	Walker	10,530	3,635	0	14,165	3,969	18,134
L	Wedderburn	10,530	576	0	11,106	2,854	13,960
R J	Wheatley	1,189	476	0	1,664	96	1,760
T V	Wheeler	10,530	10,300	0	20,830	6,329	27,159
E G	Williams	1,189	0	0	1,189	51	1,240
P D	Woollcott	1,189	577	0	1,767	104	1,871
F	Yunis	1,189	0	0	1,189	51	1,240
	Co-opted						
J W	Cannon	626	0	0	626	0	626
A	Hussain	480	0	0	480	0	480
M	Jiva	480	0	0	480	0	480
C W	Webb Ingall	841	0	0	841	0	841
T	Wilcox	720	0	0	720	0	720
		635,684	397,607	1,999	1,035,290	161,676	1,196,966

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20. OFFICERS' REMUNERATIONS

The Accounts and Audit (amendment No. 2) Regulations 2009 require the Authority to disclose the number of employees whose remuneration in the year was £50,000 or more.

The table illustrates officers' emoluments falling into each category in multiples of £5,000.

The number of employees whose remuneration was £50,000 or more, in bands of £5,000, were:-

Remuneration Band	Number of Employees 2009/10	2010/11
£50,000 - £54,999	116	110
£55,000 - £59,999	96	93
£60,000 - £64,999	46	47
£65,000 - £69,999	32	31
£70,000 - £74,999	22	27
£75,000 - £79,999	22	18
£80,000 - £84,999	7	10
£85,000 - £89,999	14	10
£90,000 - £94,999	7	7
£95,000 - £99,999	4	9
£100,000 - £104,999	3	3
£105,000 - £109,999	6	6
£110,000 - £114,999	2	1
£115,000 - £119,999	1	0
£120,000 - £124,999	1	1
£125,000 - £129,999	1	0
£135,000 - £139,999	1	2
£140,000 - £144,999	1	0
£150,000 - £154,999	1	0
£170,000 - £174,999	0	1
£180,000 - £184,999	0	1
£215,000 - £219,999	1	0
Total	**384**	**377**

There was no pay award for Local Government Officers with effect from 1 April 2010. Teaching staff received an award of 2.3% with effect from 1 September 2010. Teachers and Local Government Officers are paid on grades which consist of a series of scale points, which means salaries can increase year on year within the overall banding covered by the grade.

The Regulations require further disclosure for senior employees whose salary is £50,000 or more per year. The following tables for 2010/11 and 2009/10 detail these employees by job title and for those employees whose salary is more than £150,000 per year, by name.

Senior Employees are deemed to be members of the Leadership Team who have direct responsibility for the management of the council.

20. OFFICERS' REMUNERATIONS continued

Disclosure of Remuneration for Senior Employees for 2010/11

Post holder Information	Notes	Salary Including fees & Allowances £	Taxable Expenses £	Compensation for loss of office £	Total Remuneration Excluding Pension costs £	Employers Pension Contributions £	Total Remuneration Including pension contributions £
Chief Executive *							
Andrew Kilburn	*note 1*	50,000	0	150,590	200,590	23,261	223,851
Martin Esom		173,796	0	0	173,796	37,038	210,834
Executive Director of Children and Young People Services		139,325	1,039	0	140,364	29,957	170,321
Director of Finance	*note 2*						
Two postholders during year							
1. Part year w.e.f 26 July 2010		86,741	0	0	86,741	18,649	105,390
2. Part year until 20 October 2010		90,892	0	0	90,892	16,371	107,263
Executive Director of Environment & Regeneration	*note 3*	136,467	123	0	136,590	27,781	164,371
Director of People, Policy & Performance	*note 4*						
Actual payments, post deleted w.e.f 1 October 2011		68,590	0	57,010	125,600	14,747	140,347
Head of Adult Social Care & Health	*note 5*						
Director of Governance & Law		121,175	19	0	121,194	25,800	146,994
Assistant Chief Executive		104,185	0	0	104,185	22,206	126,391

Notes

1. Martin Esom was Deputy Chief Executive before becoming Chief Executive in June 2010 on an annual salary of £180,000. Andrew Kilburn left the employ of the Council in June 2010 having been on an annual salary of £225,000.
2. The annual salary for this post was £137,500
3 Includes payment for work on behalf of North London Waste Authority as a planning advisor, which is linked to the LBWF role.
4. The Director of PPP post was deleted wef 1/10/2010. The annual salary was £123,900.
5. This post is part of the Leadership team but was occupied by an agency worker not on the Council's payroll throughout the year. The estimated salary would have been £91,200.

* Salary includes fees paid by Central Government relating to election duties i.e. General and local elections May 2010

Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £671,949 (£273,639 in 2009/10. Of this total £157,207 was payable to Andrew Kilburn (Chief Executive), in the form of compensation for loss of office. There were no enhanced pension benefits as disclosed in Note 24.
The remaining £514,742 was payable to 37 officers, who were made redundant as part of the Authority's restructuring/rationalisation across all Departments.

20. OFFICERS' REMUNERATIONS continued

Disclosure of Remuneration for Senior Employees for 2009/10

Post holder Information	Notes	Salary Including fees & Allowances £	Taxable Expenses £	Compensation for loss of office £	Total Remuneration Excluding Pension costs £	Employers Pension Contributions £	Total Remuneration Including pension contributions £
Chief Executive *		218,176	68	0	218,244	39,000	257,243
Andrew Kilburn							
Executive Director of Environment & Regeneration		152,208	0	0	152,208	29,681	181,889
Martin Esom	*note 1*						
Part year w.e.f December 2009		44,236	80	0	44,316	8,187	52,503
Executive Director of Children and Young People Services		139,332	6	0	139,338	27,170	166,508
Director of People, Policy & Performance		120,686	0	0	120,686	23,534	144,220
Executive Director Adult Social Care	*note 2*						
Director of Governance & Law	*note 3*						
Two postholders during year							
1. Part year w.e.f 1 February 2010		20,000	0	0	20,000	3,900	23,900
2. Part year until 31 January 2010 *		98,845	0	0	98,845	18,829	117,674
Director of Finance	*note 4*						
Two postholders during year							
1. Part year w.e.f 1 March 2010		11,458	0	0	11,458	2,234	13,693
2. Part year until 31 May 2009		21,173	0	0	21,173	4,129	25,302

Notes

1. Martin Esom received an enhanced salary as Deputy Chief Executive in addition to being an Executive Director. He was seconded as interim Chief Executive of Ascham Homes between December 2009 and March 2010. During this period another officer acted as Executive Director Environment & Regeneration.
2. The new post of Executive Director Adult Care is part of the Leadership team but was either vacant or occupied by an agency worker not on the Council's payroll throughout the year. The estimated salary would have been £116,100.
3. An existing officer was acting up to this post until 31 January 2010. From the 1 February 2010 a permanent appointee occupied the post on a salary of £120,000 per annum.
4. A new appointee started on the 1 March 2010 on a salary of £137,500 per annum as Joint Director of Finance with Waltham Forest NHS (contributing 50% towards costs). Agency staff acted as interims following the departure of the previous officer at the end of May 2009.

* Salary includes fees paid by Central Government relating to election duties i.e. European elections June 2009

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21. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Details of transactions with government departments are set out in a note relating to the Cash Flow Statement. In addition, a number of transactions with related parties are disclosed elsewhere in the notes to these accounts. Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 41.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2010/11 is shown in Note 19.

By virtue of their office, through their residence in the Borough and/or as active members of the community, Members of the Authority participate in and are members of a variety of other public bodies and community groups. The Council has well established mechanisms and procedures for preventing undue influence. Part of this mechanism is the disclosure of interests in the Register of Members' Interests which is open to public inspection on the Waltham Forest Internet site.

Chief Officers

During 2010/11 Chief Officers declared an interest in the following:

	Chief Officers
Local Education Partnership (LEP) Board Member	1
Board of NPS (London) Ltd	1
Partner who is a School Governor	2
Partner works for London Development Agency (LDA)	1
Receives honorarium from NLWA	1

Other Public Bodies

The Council has a pooled budget arrangement with the following public bodies:

Waltham Forest NHS - Integrated Community Equipment Store (ICES)
Redbridge Council, Waltham Forest NHS and Redbridge NHS - Learning Disability Partnership

Entities Controlled or significantly influenced by the Council

A review of the 2010/11 Members and Chief Officers disclosures of related party interests and the Register of Interests identifies a number of organisations where Waltham Forest has provided financial support or the organisation has provided services to the Council. Due consideration has been given to the Member disclosures made in relation to the materiality of transactions between the Council and the organisation concerned and these are listed over the following three pages.

21. RELATED PARTY TRANSACTIONS continued

Organisations from Register of Interests/Declaration of interests	2009/10 Amount of transactions that have occurred to/(from) £'000	2010/11 Amount of transactions that have occurred to/(from) £'000	Amount of outstanding balances as at 31/03/2011 £'000	Description of nature of the related party relationship	Member by Name	Members' declared position within Organisation
Asian Centre Management Committee	104 0 104	101 (2) 99	0 0 0	LBWF provides grant funding to the Asian Centre which is a charitable organisation providing support and services for Asian communities residing in Waltham Forest.	Cllr N.Asghar Cllr A.Mahmood Cllr M.Rusling Cllr A.Samih Cllr P.Herrington	Observer Status Observer Status Observer Status Observer Status Observer Status
Age Concern Ltd (Waltham Forest)	443 (9) 434	443 (4) 439	0 0 0	In 2009/10 and 2010/11, LBWF had a contractual relationship with Age Concern as one of our Preferred Provider Contracts for the Voluntary Sector, payments were made to them to provide a variety of services to Adult Social Care clients (mainly Older People) including Day services, Advocacy and Support.	Cllr L.Braham	Advisor Status
Ascham Homes	54,560 (478) 54,082	45,863 (727) 45,136	94 (50) 44	Ascham Homes Ltd is an LBWF controlled company established with no share capital and limited by guarantee. The Council has delegated responsibility for overseeing the management and maintenance of its residential stock to Ascham Homes in accordance with a ten year	Cllr C.Coghill Cllr P.Douglas Cllr A.Khan Cllr A.Siggers	Board Member Board Member Board Member Board Member
London Youth Games	13	7	0	LBWF provides grant funding to London Youth Games which provides sporting events for schoolchildren in London aged 7 to 17, involving all 33 London Boroughs and 26 National Government Bodies.	Cllr M.Lewis	Board Member
North London Waste Authority (NLWA)	5,852 (11) 5,841	6,679 (94) 6,585	0 0 0	LBWF pays Annual Levy fees for domestic and non-domestic waste collection to NLWA.	Cllr C.Loakes Cllr N.Asghar Cllr M.Pye	Chair Member Member Planning Committee
Lee Valley Regional Park Authority	233 233	231 (5) 226	0 0 0	LBWF pays an Annual Levy to LVRPA for the regional park which provides quality open spaces and leisure facilities for London people.	Cllr T.Wheeler	Board Member
NHS Waltham Forest	1,318 (3,540) (2,222)	498 (11,530) (11,032)	0 0 0	Payments and receipts to and from NHS are predominantly for Partnership and joint working contributions from health towards dementia care, Independent Equipment Store, care out of hospital projects, preventative services such as Telecare. Other costs are towards joint funding of specialist teams such as Intercare.	Cllr A.Akram Cllr. L.Phillips	Non Exec Chair (Joint Partnership Board) Board Member
Pension Fund Committee (LBWF Pension Fund Employer's Contributions) (Administration fee charged to Pension Fund) (London Pensions Fund Authority Levy payment)	 19,521 528 374	 22,267 665 222	 0 0 0	The Committee is responsible for the management of the administration of benefits and the strategic management of the Pension Fund assets.	Cllr R.Anwar Cllr N.Buckmaster Cllr A.Hemsted Cllr R.Sweden Cllr T.Wheeler	Board Member Chair Board Member Vice Chair Board Member
Waltham Forest CAB Leytonstone CAB	363 368	353 333	0 0	Grant funding to advice agencies for local residents' issues such as debt management, employment rights, benefits, immigration and other legal issues.	Cllr J.Gray Cllr S.Rackham Cllr M.Rusling	Trustee Trustee Trustee

21. RELATED PARTY TRANSACTIONS continued

Organisations from Register of Interests/Declaration of interests	2009/10 Amount of transactions that have occurred to/(from) £'000	2010/11 Amount of transactions that have occurred to/(from) £'000	Amount of outstanding balances as at 31/03/2011 £'000	Description of nature of the related party relationship	Member by Name	Members' declared position within Organisation
Apex Arts (formerly Waltham Forest Arts Council)	76	42	0	LBWF works in partnership with Apex Arts Council which is an independent charitable organisation which exists to champion the arts in WF and to grant aid artists. It works to support the creative activity of all who live, work and enjoy leisure pursuits in the Borough.	Cllr C.Coghill Cllr M.Davis Cllr P.Douglas Cllr T.Goddard Cllr R.Sweden	Trustee Trustee Trustee Trustee Trustee
E11 BID Company	109	100	0	E11 BID Company was set up for the purpose of providing additional services over and above those already provided by the Council for the E11 area. LBWF acts as an agent for the BID company and bills and collects a levy from businesses in the area and pays it over to the company.	Cllr C.Loakes Cllr M.Pye	Board Member Board Member
O-Regen	375	400	0	O-Regen was the lead partner in a consortium delivering outreach services in LBWF targeting workless individuals and groups at risk of social exclusion. It was locally based in the CLICK Centre Leytonstone and SCORE building Leyton and other council owned venues. The company was placed in administration on 5 May 2011.	Cllr M.Davis Cllr K.Limbajee Cllr T.Wheeler	Chair Board Member Board Member
London Councils	1,728 (27) 1,701	1,686 (15) 1,671	0 0 0	The London Councils is a think tank and lobbying organisation working on behalf of and promoting the interests of London's 33 Councils. They run the Freedom Pass concessionary fares scheme which gives older and disabled Londoners free travel on buses, tubes and trains. Waltham Forest pays into this scheme and pays a yearly subscription.	Cllr S.Mahmud Cllr E.Vincent Cllr M.Pye Cllr K.Limbajee Cllr A.Bean Cllr A.Mbachu Cllr G.Reardon Cllr M.Rusling Cllr L.Ali Cllr K.Falconer Cllr A.Akram Cllr M.Rusling	Member Children & Young Peoples Forum Deputy Children & Young Peoples Forum Member Housing Forum Deputy Housing Forum Member Health & Adult Services Forum Deputy Health & Adult Services Forum Member Culture, Tourism & 2012 Forum Deputy Culture, Tourism & 2012 forum Member Crime & Public Protection Forum Deputy Crime & Public Protection Forum Member Economic Development Forum Deputy Economic Development Forum

21. RELATED PARTY TRANSACTIONS continuec

Organisations from Register of Interests/Declaration of interests	2009/10 Amount of transactions that have occurred to/(from) £'000	2010/11 Amount of transactions that have occurred to/(from) £'000	Amount of outstanding balances as at 31/03/2011 £'000	Description of nature of the related party relationship	Member by Name	Members' declared position within Organisation
NPS London Ltd	1,989 (38) 1,951	1,989 (18) 1,971	0 0 0	On 1 March 2007, the Council's Building consultancy was transferred to NPS (London) Ltd, a joint venture partnership between the Norfolk Property Services (NPS) Group and LBWF.	Cllr A.Akram	Board Member
Disability Action (Waltham Forest)	104	104	0	Disability Action Waltham Forest is a registered charity run by and supporting disabled people in the borough. Projects include a support service to help people live more independently by employing support workers using Direct Payments from Social Services.	Cllr N.Russell	Trustee
Waltham Forest College	557 (52) 505	3,717 (28) 3,689	0 0 0	LBWF works in partnership with Waltham Forest College which offers a range of courses for learners aged 14-19 who prefer more practical ways of learning. LBWF pay grant funding from Young Peoples Learning Agency and Skills Funding Agency to support their students at the college.	Cllr N.Russell Cllr T.Wheeler	Board Member Board Member
London and Quadrant Housing Trust Regional Committee	893 (189) 704	828 (27) 801		In 2002 LBWF transferred a major part of its housing stock to L&Q. Tenants retain their right to buy and L&Q calculate each year the amount due to the Council. The money paid to the Council from these receipts is fully utilised in funding capital expenditure. Rental payments are made to L&Q for housing the homeless.	Cllr Marie Pye	Board Member
Waltham Forest Race Equality Council	23	23	0	LBWF pays a grant to this organisation which provides training and advice on all aspects of racial equality, particularly immigration, discrimination issues in employment, education and housing.	Cllr N.Asghar Cllr T.Davies Cllr P.Herrington Cllr M Haroon Khan	Board Member Board Member Board Member Board Member
Local Government Association	80	62	0	The LGA is a voluntary membership organisation made up of 419 Local Authorities acting as the voice of the local government sector, campaigning for changes in policy, legislation and funding on behalf of councils and communities. Members attend General Assembly, Annual Conference and are represented on Rural and Urban Commissions.	Cllr C.Robbins Cllr C.Loakes Cllr L.Ali Cllr M.Davis Cllr B.Sullivan Cllr M.Pye Cllr M.Rusling Cllr K.Bellamy Cllr N.Ali	Annual Conference/General Assembly General Assembly Annual Conference/General Assembly Annual Conference/General Assembly Attends Annual Conference Urban Commission Urban Commission Rural Commission Rural Commission

32 Members are also on the Governing Bodies of the Borough's Schools.

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21. RELATED PARTY TRANSACTIONS continued

Ascham Homes Ltd is a London Borough of Waltham Forest controlled company established with no share capital and limited by guarantee. The Council has delegated responsibility for overseeing the management and maintenance of its residential stock to Ascham Homes in accordance with a ten year management agreement, effective from 1 May 2003.

In 2010/11, the Authority charged the Pension Fund £665,000 (£528,000 in 2009/10) for administration. The Pension Fund Accounts are set out in Section 7 of these statements.

22. EXTERNAL AUDIT COSTS

In 2010/11, the Authority incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims by the Authority's external auditors.

	2009/10 £'000	2010/11 £'000
Fees payable to Audit Commission/external auditors with regard to external audit services	384	388
Fees payable to Audit Commission/external auditors in respect of statutory inspection	20	0
Fees payable to Audit Commission/external auditors on the certification of grant claims	136	122
	540	510

23. CONTRIBUTION TO HOUSING POOLED CAPITAL RECEIPTS

In 2010/11, a total of £1.074 million was paid to the Secretary of State (£230,000 in 2009/10) as the Authority's contribution to housing pooled capital receipts. In April 2004, Regulation 12 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 came into effect. This requires 75% of the capital receipts from the sale of Right to Buy (RTB) dwellings and 50% from the sale of housing land and other HRA housing property to be paid over to the Secretary of State into a national pool. These pooled receipts are then redistributed regionally and nationally via Communities and Local Government and other agencies to promote housing in identified areas (e.g. M11 corridor, Thames Gateway).

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24. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority makes contributions towards the cost of post employment benefits.. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments and therefore they need to be disclosed at the time the employee earns their future entitlement.

The Council participates in two statutory pension schemes, which provide members with defined benefits related to pay and service. The schemes are as follows: -

The Local Government Pension Scheme (LGPS) - for Council Employees (non-teaching) subject to certain qualifying criteria, administered by the London Borough of Waltham Forest.

This is a funded scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.

In 2010/11, the Council's level of contribution into the Pension Fund was 21.5% (19.5% in 2009/10) for those employees paying between 5.50% and 7.50% of pensionable pay. The actual cash payments made into the Fund by the Council were £14.428 million (£13.097 million in 2009/10).

The Fund's actuary determines the employer's contribution rate. It is based on triennial actuarial valuations, with the last review being at 31 March 2010.

Under Pension Fund regulations applying from 2007/08, contribution rates are required to meet 100% of the overall liabilities of the Fund over an agreed period and the contributions needed by the Council to meet this requirement will continue to be funded at the level recommended by the Council's actuary.

In addition, the Council is responsible for all pension payments relating to added year benefits that have been awarded, together with the related increases. In 2010/11, these amounted to £1.964 million (£1.975 million in 2009/10).

The capital cost of discretionary increases in pension payments (e.g. discretionary added years) agreed by the Authority in 2010/11 was £0 (£0 in 2009/10).

The Teachers Pension Scheme is a defined benefit scheme administered by the Teachers' Pension Agency (TPA) on behalf of the Department for Education (DfE). The TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities (LAs).

However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the Teachers' scheme. These benefits are fully accrued in the pension liability.

Teachers Pension Costs - In 2010/11, the Council paid £16.294 million (this includes £5.072 million teachers' contributions) to the Teachers' Pension Agency in respect of teachers' pension costs (£15.902 million in 2009/10). this represents 20.55% of teachers' pensionable pay (20.6% in 2009/10). The Council is also responsible for any added years pensions payments it has awarded and these amounted to £52,147 in 2010/11 (£67,590 in 2009/10).

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25. FRS17 - POST EMPLOYMENT RETIREMENT BENEFITS - LOCAL GOVERNMENT PENSION SCHEME

Transactions relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefit is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	2009/10 £'000	2010/11 £'000
Comprehensive Income and Expenditure Statement		
Cost of Service:		
Current service cost	9,898	16,229
Past service (Gains) and Losses	643	(48,117)
Losses/(Gains) on Curtailments & Settlements	383	246
Financing & Investment Income and Expenditure		
Interest cost	38,926	41,973
Expected return on Schemes assets	(18,401)	(26,305)
Total Post Employemnt Benefit	31,449	(15,974)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	71,556	24,829
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	103,005	8,855
Movement in Reserves Statement		
Reversal of net charges made to the Surplus/Deficit for the Provision of Services for post employment benefits in accordance with the code	(31,449)	15,974
Actual amount charged for pension contribution in the year:		
Employers' contributions payable to scheme	19,521	21,982

Cumulative Gains and Losses Recognised in the Comprehensive Income and Expenditure Account

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000	2005/06 £'000
Actuarial Gains/(Losses)	(24,829)	(71,556)	(25,318)	30,112	2,585	55,314
Cumulative Actuarial Gains & (Losses)	(33,692)	(8,863)	62,693	88,011	57,899	55,314

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26. ASSETS AND LIABILITIES IN RELATION TO POST-EMPLOYMENT BENEFITS

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	**2009/10 £'000**	**2010/11 £'000**
Opening Balance at 1 April	557,295	753,536
Current Service Cost	9,898	16,229
Interest Cost	38,926	41,973
Contributions by Scheme Participants	6,169	6,247
Actuarial Losses/(Gains)	174,359	52,857
Estimated Unfunded Benefits paid	(579)	(607)
Estimated Benefits Paid	(33,558)	(29,919)
Past Service Costs/(Gains)	643	(48,117)
Curtailments	383	246
Closing Balance at 31 March	753,536	792,445
Reconciliation of Fair Value of the scheme assets		
Opening Balance at 1 April	280,817	393,574
Expected Return on Assets	18,401	26,305
Actuarial Gains/(Losses)	102,803	28,028
Employer Contributions	18,942	21,660
Contributions in respect of Unfunded Benefits	579	607
Contributions by Scheme Participants	6,169	6,247
Benefits paid	(33,558)	(29,919)
Unfunded Benefits Paid	(579)	(607)
Closing Balance at 31 March	393,574	445,895

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £54.333 million (£121.204 million in 2009/10).

Scheme History

	2010/11 £'000	**2009/10 £'000**	**2008/09 £'000**	**2007/08 £'000**	**2006/07 £'000**	**2005/06 £'000**
Present Value of Defined Benefit Obligation	(792,445)	(753,536)	(557,295)	(664,201)	(602,148)	(604,720)
Fair Value of Employer Assets	445,895	393,574	280,817	375,775	417,675	396,319
Deficit in the Scheme	(346,550)	(359,962)	(276,478)	(288,426)	(184,473)	(208,401)

26. ASSETS AND LIABILITIES IN RELATION TO POST-EMPLOYMENT BENEFITS continued

The liabilities show the underlying commitment that the Authority has in the long-run to pay post employment (retirement) benefits. The net liability of £347 million has a substantial impact on the balance sheet, reducing the net worth of the Authority by 45.3% in 2010/11 to £419 million (37.5% 2009/10).

However, statutory arrangements whereby any deficit on the scheme is made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary, mean that the financial position of the Authority remains healthy.

The total contribution expected to be made into the Local Government Pension Scheme by the Council in the year to 31 March 2012 is estimated by the Actuary to be £22.3 million.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2010.

In the Chancellor's budget statement on 22 June 2010, it was announced with effect from 1 April 2011, public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has had the effect of reducing liabilities in the Pension Fund by £46.6 million and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

The principal assumptions used by the actuary have been:

	2009/10	2010/11
	%	%
Financial Assumptions		
Rate of RPI Inflation	3.30	3.40
Rate of CPI Inflation	2.80	2.90
Salary increase rate	4.80	4.40
Rate of increase in pensions	3.30	2.90
Rate for Discount Scheme Liabilities	5.60	5.50
Expected Return on Assets	7.00	6.40
Take up option to convert annual pension into retirement lump sum	50.00	50.00

Mortality Assumptions

Life expectancy has been based on actuarial tables, projected to calendar year 2017 for non-pensioners and 2033 for pensioners.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.3 years	24.1 years
Future pensioners	22.7 years	25.6 years

26. ASSETS AND LIABILITIES IN RELATION TO POST-EMPLOYMENT BENEFITS continued

The following transactions have been made in the Comprehensive Income and Expenditure Account and Movement in Reserves Statement during the year and the expected rates of return on assets by category were:

Long-term expected rate of return on assets in the scheme:

	2009/10	**2010/11**
	%	%
Equities	7.50	7.50
Bonds	5.20	5.10
Property	6.50	6.50
Cash	0.50	0.50

	2009/10	**2009/10**	**2010/11**	**2010/11**
	£'000	%	**£'000**	%
Fair Value of Assets				
Equities	295,180	75.00	345,569	77.50
Other Bonds	55,494	14.10	57,966	13.00
Property	22,434	5.70	22,295	5.00
Cash/Liquidity	5,510	1.40	6,688	1.50
Other	14,956	3.8	13,377	3.00
Total	393,574		445,895	

HISTORY OF EXPERIENCE GAINS AND LOSSES

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories:

	2010/11	**2009/10**	**2008/09**	**2007/08**	**2006/07**	**2005/06**
Difference between the expected and actual return on assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	28,028	102,803	113,544	63,346	2,585	55,807
	(6.3%)	(26.1%)	(40.4%)	(16.9%)	(0.6%)	(14.1%)
Difference between actuarial assumptions about liabilities and actual experience	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	52,857	174,359	138,862	33,234	0	493
	(6.7%)	(23.1%)	(24.9%)	(5.0%)	(0.0%)	(0.1%)

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27. POOLED BUDGETS

Section 31 of the Health Act 1999 introduced powers for Primary Care Trusts and Local Authorities to establish and maintain pooled funds out of which payment may be made towards expenditure incurred in the exercise of prescribed local authority and prescribed NHS functions.

On 1 April 2004, the Council entered into a partnership agreement with Waltham Forest NHS (previously known as Waltham Forest Primary Care Trust) and established a pooled fund for the Integrated Community Equipment Store (ICES), for which Waltham Forest Council is the lead body. This includes the costs of purchasing new equipment and managing the distribution of equipment across the borough of Waltham Forest.

Statement of Income and Expenditure for the Integrated Community Equipment Store

	2009/10 £'000	2010/11 £'000
Funding provided to the pooled budget:		
L B Waltham Forest contributions	(445)	(688)
Waltham Forest NHS contributions	(92)	(78)
Total Funding	(537)	(766)
Expenditure met from the pooled budget:		
L B Waltham Forest	434	682
Waltham Forest NHS	92	78
Total Expenditure	526	760
Net surplus arising on the pooled budget during the year	(11)	(6)
Authority share of 100% of the net surplus arising on the pooled budget	**(11)**	**(6)**

On 1 April 2003, the Council entered into a partnership agreement with Redbridge Council, Waltham Forest NHS and Redbridge NHS and established a pooled fund for the Learning Disability Partnership for which the London Borough of Redbridge Council is the lead body.

Learning Disability Pooled Budget	2009/10 £'000	2010/11 £'000
Funding provided to the Pooled Budget:		
L B Redbridge Council Contribution	(111)	(102)
L B Waltham Forest Contribution	(87)	(79)
Waltham Forest NHS Contribution	(94)	(87)
Redbridge NHS Contribution	(131)	(128)
Total Funding	(423)	(396)
Expenditure met from the Pooled Budget		
L B Redbridge Council Expenditure	111	102
L B Waltham Forest Expenditure	87	79
Waltham Forest NHS Expenditure	94	87
Redbridge NHS Expenditure	131	128
Total Expenditure	423	396

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28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular. the Housing Revenue Account (HRA) is ringfenced, including all capital transactions, so the balance within the Directorate analysis always comes to zero.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2010/11

	Adult Social Care £'000	Children Services £'000	Environment & Regeneration £'000	Corporate Expenditure £'000	Other Direct Services £'000	Total £'000
Government Grants	1,773	254,322	14,412	(4)	196,341	466,844
Other Grants and Contributions	11,353	8,294	31,837	2,000	336	53,820
Customer and Client Receipts	7,182	37,904	89,170	31	8,951	143,238
Interest Received	7	0	636	1,014	14	1,671
Recharges	7,717	22,029	31,573	323	45,944	107,586
Total Income	28,032	322,549	167,628	3,364	251,586	773,159
Employee expenses	21,648	207,546	30,662	(48,931)	32,088	243,013
Premises	941	2,693	29,021	0	344	32,999
Transport	937	5,371	1,689	0	136	8,133
Supplies and Services	3,852	97,159	26,080	922	8,261	136,274
Third Party Payments	52,117	44,604	56,792	6	31,807	185,326
Transfer Payments	14,381	4,994	390	0	168,041	187,806
Support	14,449	28,001	30,839	7,215	17,718	98,222
Capital Charges	510	9,500	221,474	0	1	231,485
Financing	1,268	20,237	(177,852)	(189)	989	(155,547)
Total Expenditure	110,103	420,105	219,095	(40,977)	259,385	967,711
Net Expenditure	**82,071**	**97,556**	**51,467**	**(44,341)**	**7,799**	**194,552**

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS continued

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the 2009/10 financial year is as follows:

Directorate Income and Expenditure 2009/10

	Adult Social Care £'000	Children Services £'000	Environment and Regeneration £'000	Corporate Expenditure £'000	Other Direct Services £'000	Total £'000
Government Grants	10,565	234,511	52,682	29	184,687	482,474
Other Grants and Contributions	11,189	9,515	19,218	1,353	534	41,809
Customer and Client Receipts	7,953	33,082	99,835	161	10,067	151,098
Interest Received	0	0	543	298	10	851
Recharges	9,870	11,313	34,339	331	50,726	106,579
Total Income	39,577	288,421	206,617	2,172	246,024	782,811
Employee expenses	22,598	200,573	32,158	(6,724)	32,671	281,276
Premises	1,219	2,875	35,819		(165)	39,748
Transport	1,090	4,582	1,925		169	7,766
Supplies and Services	3,816	79,986	23,053	778	8,495	116,128
Third Party Payments	49,081	44,785	91,647	6	31,224	216,743
Transfer Payments	14,319	4,939	782		158,350	178,390
Support	15,214	18,420	30,928	6,481	25,243	96,286
Capital Charges	1,488	9,490	30,328	(1,623)	(825)	38,858
Financing	1,098	18,305	5,993	548	3,509	29,453
Total Expenditure	109,923	383,955	252,633	(534)	258,671	1,004,648
Net Expenditure	**70,346**	**95,534**	**46,016**	**(2,706)**	**12,647**	**221,837**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £'000	2010/11 £'000
Net expenditure in the Directorate analysis	221,837	194,552
Net expenditure of services and support services not included in the analysis	(1,805)	(826)
HRA Amounts in the Comprehensive Income and Expenditure Statement Netted off in Directorate analysis	6,930	192,549
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of services in Comprehensive Income and Expenditure Statement	**226,962**	**386,275**

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS continued

Reconciliation to Subjective Analysis - 2010/11

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the surplus, or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2010/11	Directorate Analysis £'000	Services & Support Services not in Analysis £'000	Netted Off in Directorate Analysis £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Government Grants	466,844	0	0	0	0	0	0	466,844
Other Grants and Contributions	53,820	0	0	0	0	0	0	53,820
Customer and Client Receipts	143,238	0	0	0	0	0	0	143,238
Interest Received	1,671	0	0	0	0	0	0	1,671
Recharges	107,586	0	(314)	0	0	0	0	107,272
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	(76)	84	2,029	0	0	0	2,037
Income from council tax	0	0	0	0	0	0	88,459	88,459
Government grants and contributions	0	0	0	0	0	0	187,302	187,302
Expected Return on Pension assets	0	0	0	26,305	0	0	0	26,305
Total Income	773,159	(76)	(230)	28,334	0	0	275,761	1,076,948
Employee expenses	243,013	0	(730)	0	0	0	0	242,283
Premises	32,999	0	0	0	0	0	0	32,999
Transport	8,133	0	0	0	0	0	0	8,133
Supplies and Services	136,274	0	0	0	0	0	0	136,274
Third Party Payments	185,326	0	0	0	0	0	0	185,326
Transfer Payments	187,806	0	0	0	0	0	0	187,806
Support	98,222	450	(7,530)	0	0	0	0	91,142
Capital Charges	231,485	0	200,579	0	0	0	0	432,064
Financing	(155,547)	(1,352)	0	0	0	0	0	(156,899)
Interest payments	0	0	0	27,963	0	0	0	27,963
Precepts and levies	0	0	0	7,290	0	0	0	7,290
Payments to housing capital receipts pool	0	0	0	1,074	0	0	0	1,074
Gain or loss on disposal of non-current assets	0	0	0	18,743	0	0	0	18,743
Pension interest cost	0	0	0	41,973	0	0	0	41,973
Total Expenditure	967,711	(902)	192,319	97,043	0	0	0	1,256,171
(Surplus) or deficit on the provision of services	**194,552**	**(826)**	**192,549**	**68,709**	**0**	**0**	**(275,761)**	**179,223**

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS continued

Reconciliation to Subjective Analysis - 2009/10

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2009/10	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Netted Off in Directorate Analysis £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Government Grants	482,474	0	0	0	0	0	0	482,474
Other Grants and Contributions	41,809	0	0	0	0	0	0	41,809
Customer and Client Receipts	151,098	0	0	0	0	0	0	151,098
Interest Received	851	0	0	0	0	0	0	851
Recharges	106,579	0	(314)	0	0	0	0	106,265
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	(317)	0	1,296	0	0	0	979
Income from council tax	0	0	0	0	0	0	87,610	87,610
Government grants and contributions	0	0	0	0	0	0	171,037	171,037
Expected Return on Pension assets	0	0	0	18,401	0	0	0	18,401
Total Income	782,811	(317)	(314)	19,697	0	0	258,647	1,060,524
Employee expenses	281,276	0	0	0	0	0	0	281,276
Premises	39,748	0	0	0	0	0	0	39,748
Transport	7,766	0	0	0	0	0	0	7,766
Supplies and Services	116,128	0	0	0	0	0	0	116,128
Third Party Payments	216,743	0	0	0	0	0	0	216,743
Transfer Payments	178,390	0	0	0	0	0	0	178,390
Support	96,286	274	6,616	0	0	0	0	103,176
Capital Charges	38,858	(2,396)	0	0	0	0	0	36,462
Financing	29,453	0	0	0	0	0	0	29,453
Interest payments	0	0	0	23,732	0	0	0	23,732
Precepts and levies	0	0	0	7,511	0	0	0	7,511
Payments to housing capital receipts pool	0	0	0	230	0	0	0	230
Gain or loss on disposal of non-current assets	0	0	0	10,883	0	0	0	10,883
Pension interest cost	0	0	0	38,926	0	0	0	38,926
Total Expenditure	1,004,648	(2,122)	6,616	81,282	0	0	0	1,090,424
(Surplus) or deficit on the provision of services	**221,837**	**(1,805)**	**6,930**	**61,585**	**0**	**0**	**(258,647)**	**29,900**

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS continued

The table below and continued on the next page provides details of the Directorate net expenditure below the segment level shown.

2009/10 NET EXPENDITURE £'000	Directorate	2010/11 NET EXPENDITURE £'000
	Adult Social Care	
3,533	Executive Director and Resources	6,435
48,754	Adult Social Care and Health	55,961
18,059	Learning Disabilities	19,675
70,346	**Total Adult and Community Services**	82,071
	Chief Executive	
169	Chief Executive	0
169	**Total Chief Executive**	0
	Children Services	
881	Executive Director and Resources	(170)
41,139	Children and Families	42,984
11,782	Education For Communities	12,917
702	School Capital Strategy / Place Planning	123
(4)	Dedicated Schools Budget	0
29,074	School Support	29,468
121	Policy, Performance and Commissioning	(284)
11,839	Culture and Leisure	12,518
95,534	**Total Children Services**	97,556
(2,706)	**Total Corporate Expenditure**	(44,343)
	Environment and Regeneration Services	
(2,150)	Executive Director and Resources	1,959
15	Building Services	12
8,300	Sustainable Communities	8,053
32,279	Public Realm	30,959
7,696	Safe & Strong Communities	7,567
0	Housing Revenue Account (HRA)	0
4,125	Property Services	1,936
(7,493)	Major Projects and School Organisation	(4,312)
3,244	Housing - General Fund	5,293
46,016	**Total Environment and Regeneration Services**	51,467

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS continued

2009/10 NET EXPENDITURE £'000	Directorate	2010/11 NET EXPENDITURE £'000
	Finance Department	
20	Director of Finance	(5)
147	Financial Planning	(67)
27	Internal Audit and Anti-Fraud Unit	(24)
8,119	Revenues and Benefits	6,236
(147)	Corporate Finance	(192)
234	Environment and Regen & Central Services	62
650	ASC & CYPS Finance	(32)
9,050	**Total Finance Department**	5,978
	Governance and Law	
62	Executive Director	(27)
129	Legal Services	338
366	Business Support	111
429	Corporate Governance	580
(441)	Procurement	(37)
545	**Total Governance and Law**	965
	People, Policy and Performance	
158	Executive Director	98
(329)	Performance Management	0
(171)	**Total People, Policy and Performance**	98
	Residents First	
0	Assistant Director RF	(113)
(667)	Customer Services	(208)
147	Equalities	(21)
5	Service Excellence & Efficiency	(471)
1,815	Community Engagement	1,896
1,300	**Total Residents First**	1,083
	Strategy & Communications	
0	Assistant Director SC	47
(413)	Strategy & Public Affairs	(342)
324	Residents Communications	36
25	Scrutiny	(159)
(64)	**Total Strategy & Communications**	(418)
1,100	**Total Human Resources**	320
718	**Total Information Technology**	(225)
221,837	**Total Services' Revenue Expenditure**	**194,552**

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29. DISCLOSURE OF DEPLOYMENT OF DEDICATED SCHOOLS GRANT (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG) is ringfenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance (England) Regulations 2008. The schools budget includes elements for a range of educational services provided on an Authority-wide basis and for the individual schools budget, which is divided into a budget share for each maintained school.

The Local Authority in conjunction with the Schools Forum is responsible for determining the split of the grant allocated to Individual Schools Budgets (ISB) and the amount to be kept at the Centre (known as Central Expenditure) to support the schools.

The regulations allow any over/under spend of DSG to be carried over to the following year. Details of the deployment of DSG receivable for 2010/11 and 2009/10 are as follows:-

Schools Budget Funded By Dedicated Schools Grant

	2009/10 Central Expenditure £'000	2009/10 ISB £'000	2009/10 Total £'000	2010/11 Central Expenditure £'000	2010/11 ISB £'000	2010/11 Total £'000
Final DSG for year			167,721			175,325
Brought forward from the previous year			(184)			(527)
transfer of 'loan' 2008/09 from LA Reserve to DSG			(352)			0
Carry Forward to next financial year agreed in advance			536			0
	0	0	167,721	0	0	174,798
Agreed budgeted distribution in the year	15,450	152,271	167,721	17,148	157,650	174,798
Less part-repayment of 2008/09 'loan'	(660)	0	(660)	0	0	0
Less actual central expenditure	(13,286)	0	(13,286)	(12,921)	0	(12,921)
Less actual ISB deployed to schools	0	(153,766)	(153,766)	0	(160,228)	(160,228)
Actual DSG not deployed	1,504	(1,495)	9	4,227	(2,578)	1,649
Carry forward to DSG in advance	(536)	0	(536)	0	0	0
Total DSG carry forward			(527)			1,649

30. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PPE) includes all tangible assets used in the delivery of services, for rental to others or for administrative purposes, that are used over more than one year.

Operational assets are fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or a discretionary responsibility.

Council dwellings include housing units, hostels, sheltered housing units, and related fixed equipment, furniture and plant which are accounted for in the Housing Revenue Account (HRA).

Other land and buildings include all land and buildings accounted for other than in the HRA, and fixed equipment, furniture and plant.

Vehicles, plant and equipment includes all such items that are not a fixture or fitting to a building, and which have not been financed by operating leases.

Infrastructure assets are those which are required to enable other developments to take place e.g. roads, street lighting, together with similar environmental structural works.

Community assets are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are the Authority's parks, gardens and open spaces.

Non-operational assets are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties (shops, industrial units etc), assets being constructed and assets that are surplus to requirements pending sale or re-development.

Non-operational PPE designates those properties rented out as part of the Council's commercial portfolio, but which are not investment properties in the strict sense because they are used to further a service objective, such as promoting community groups or economic regeneration. These are included within Other Land and Buildings on the face of the balance sheet.

Depreciation - useful life of assets

Assets with a finite useful life are depreciated on a straight line basis over their economic life, as determined by our valuers. As a guideline the following useful lives were applied:

	Number of years
Council Dwellings	60
Other land and Buildings	10-40
Vehicles, Plant and Equipment	4-7
Infrastructure	20

30. PROPERTY, PLANT AND EQUIPMENT continued

Movements in 2010/11	Operational Assets					Non-Operational Assets			
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Non-Operational PPE £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or valuation at 1 April 2010	859,326	629,307	11,722	89,689	14,291	18,574	606	13,254	1,636,769
Additions	23,742	31,113	1,362	7,304	304	0	0	11,657	75,482
Revaluation increases/(decreases) recognised in the revaluation reserve	(4,356)	21,267	0	0	0	1,751	0	0	18,662
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(5,845)	(8,437)	0	0	0	0	0	0	(14,282)
Derecognition - disposals	(627)	(22,589)	(94)	0	0	0	0	0	(23,310)
Derecognition - other	0	(352)	(1,215)	0	0	0	(515)	0	(2,082)
Transfers (to)/from Assets Held for Sale	(49)	0	0	0	0	0	0	0	(49)
Transfers (to)/from Investment Properties	0	7,519	74	0	0	(96)	0	(7,755)	(258)
Other movements in cost or valuation	0	(14)	0	(4)	0	0	0	0	(18)
Value of assets at 31 March 2011	872,191	657,814	11,849	96,989	14,595	20,229	91	17,156	1,690,914
Accumulated Depreciation and Impairment at 1 April 2010	(233,080)	(54,461)	(5,425)	(24,346)	(20)	(2,135)	0	0	(319,467)
Depreciation charge	(8,345)	(21,432)	(2,668)	(5,835)	(4)	(1,843)	0	0	(40,127)
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	0	0	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(200,579)	(471)	0	0	0	0	0	0	(201,050)
Derecognition - disposal	0	1,909	84	0	0	0	0	0	1,993
Derecognition - other	0	9	1,116	0	0	0	0	0	1,125
Transfers to/(from) Investment Properties	0	507	0	0	0	0	0	0	507
Accumulated Depreciation at 31 March 2011	(442,004)	(73,939)	(6,893)	(30,181)	(24)	(3,978)	0	0	(557,019)
Net book value of assets at 31 March 2010	626,246	574,846	6,297	65,343	14,271	16,439	606	13,254	1,317,302
Net book value of assets at 31 March 2011	430,187	583,875	4,956	66,808	14,571	16,251	91	17,156	1,133,895

30. PROPERTY, PLANT AND EQUIPMENT continued

Movements in 2009/10	Operational Assets					Non-Operational Assets			
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Non-Operational PPE £'000	Surplus Asssets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or valuation at 1 April 2009	676,691	573,799	10,643	85,811	13,497	16,437	0	1,508	1,378,386
Additions	33,231	25,857	1,287	3,877	768	315	0	12,167	77,502
Revaluation increases/(decreases) recognised in the revaluation reserve	4,356	47,589	0	0	0	712	0	0	52,657
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	0	0	0	0	0	0	0	0	0
Derecognition - disposals	(402)	(10,486)	(494)	0	0	0	0	0	(11,382)
Derecognition - other	0	0	0	0	0	(184)	0	0	(184)
Transfers (to)/from Assets Held for Sale	(58)	0	0	0	0	0	0	0	(58)
Transfers (to)/from Investment Properties	0	2,769	0	0	26	3,114	10	0	5,919
Other transfers/movements in cost or valuation	(505)	(91)	0	0	0	0	596	0	0
Value of assets at 31 March 2010	713,313	639,437	11,436	89,688	14,291	20,394	606	13,675	1,502,840
Accumulated Depreciation and Impairment at 1 April 2010	(64,760)	(33,494)	(2,985)	(18,844)	(15)	(1,851)	0	0	(121,949)
Depreciation charge	(10,811)	(20,653)	(2,648)	(5,501)	(5)	(1,718)	0	0	(41,336)
Depreciation written out to the revaluation reserve	0	12,836	0	0	0	0	0	0	12,836
Depreciation written out to the surplus/deficit on the provision of services	0	1,073	0	0	0	0	0	0	1,073
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(11,496)	(26,534)	0	0	0	(386)	0	(421)	(38,837)
Derecognition - disposal	0	2,181	494	0	0	0	0	0	2,675
Derecognition - other	0	0	0	0	0	0	0	0	0
Transfers to/(from) Investment Properties	0	0	0	0	0	0	0	0	0
Accumulated Depreciation at 31 March 2010	(87,067)	(64,591)	(5,139)	(24,345)	(20)	(3,955)	0	(421)	(185,538)
Net book value of assets at 31 March 2009	611,931	540,305	7,658	66,967	13,482	14,586	0	1,508	1,256,437
Net book value of assets at 31 March 2010	626,246	574,846	6,297	65,343	14,271	16,439	606	13,254	1,317,302

30. PROPERTY, PLANT AND EQUIPMENT continued

Effects in changes in Estimates - Componentisation

In 2010/11, the Authority made one material change to its accounting estimates for Property, Plant and Equipment.

Componentisation is a method, used for accounting and financial reporting purposes, to ensure that assets are accurately included on the Balance Sheet and that the consumption of economic benefit of these assets is accurately reflected over their individual useful lives through depreciation charges. The Council is required to consider whether assets acquired, revalued or enhanced from 1 April 2010 contain significant components that should be recognised as distinct assets and depreciated separately.

The entirety of the Council Dwellings portfolio and a number of other HRA properties, were broken down into components, resulting in an increase in depreciation of £1.221 million. The impact of this change will carry forward into 2011/12 and future years.

For the majority of non-housing properties the assets or the potential components were of sufficiently low value that to recognise components would make an insignificant difference to the accounts. Five properties within the Land and Buildings classification met the criteria for componentisation and elements were recognised separately, resulting in an increase in depreciation of £41,000 from that which would have been charged under the previous methodology.

Due to the five year rolling programme, some properties have not been considered, therefore there may be increases in depreciation charges in future years.

Impairment Losses

During 2010/11, the Authority has recognised impairment losses of £201.050 million. The majority of this (£200.579 million) reflects the change in the adjustment factor for calculating the Existing Use Value of social housing (note 5 to the HRA Statements), and is disclosed as an exceptional item within the Housing Revenue Account (HRA). Impairment of £471,000 has also been charged against the Children's and Education Services line in the Comprehensive Income and Expenditure Statement, reflecting the transfer of three schools to Academy status (Hillyfields Primary, Roger Ascham Primary, Yardley Primary). The school building assets have been removed from the Council's Balance sheet as a disposal, and the impairment reflects the writing down of the associated land assets to their residual value to the Council. Impairments in 2009/10 were £812,000.

Revaluations

A proportion of the freehold and long leasehold properties that comprise the Authority's property portfolio have been valued as at 1 April 2010 by the Authority's valuers, under the supervision of the Head of Corporate Asset Management Paul Humphreys BSc MRICS. Housing assets were valued as at 31 March 2011.

30. PROPERTY, PLANT AND EQUIPMENT continued

Revaluations continued

With regards to the implementation of FRS11 (impairment of value) each portfolio of assets is reviewed by the Head of Corporate Asset Management, who considers whether any situation has occurred leading to a reduction in value as defined under FRS11. Any identified assets would then be valued and any reductions in value are recorded. Three such assets were identified.

In 2010/11, the Head of Asset Management has reviewed the useful life of all property assets. All assets are then depreciated over that life in a straight line basis. For 2010/11, this amounts to £31.499 million, excluding the depreciation on housing dwellings and other HRA assets (2009/10 £29.376 million).

For HRA assets, depreciation has been charged in previous years to match the Major Repairs Allowance. In 2009/10, the decision was taken to calculate depreciation based upon an estimate of the remaining life of Council dwellings. It is considered that this remains the more accurate approach and therefore the depreciation charge to the HRA in 2010/11 is £9.061 million (£11.717 million in 2009/10).

Property assets regarded by the Authority as operational were valued on the basis of market value for existing use or, where this could not be assessed due to their specialist nature, the depreciated replacement cost.

Property assets regarded by the Authority as non-operational have been valued on the basis of market value.

Community and infrastructure assets have been included in the balance sheet at historic cost.

Furniture and equipment is included in the valuation of the buildings.

The Authority currently has a rolling programme of asset valuations which will review approximately 20% of the general fund asset portfolio each year. All assets are reviewed within five years.

The Asset Register is continually reviewed to ensure that all interests in property are recorded, and classified correctly. This leads to adjustments and amendments during the year, in addition to those amendments relating to new assets being acquired or surplus assets being disposed of.

30. PROPERTY, PLANT AND EQUIPMENT continued

The table below reflects the proportions of each asset class subject to revaluation, that have been revalued in each year of the rolling programme. A number of items added during that period have not yet been revalued and therefore are currently held at historic cost.

	Council Dwellings	Other Land & Buildings	Non - operational PPE	Investment Property	TOTAL
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	**0**	**39,082**	**12,221**	**9,545**	**60,848**
Valued at fair value as at :					
31 March 2011	430,187	95,723	1,819	13,182	15,001
31 March 2010	0	270,657	1,434	1,334	2,768
31 March 2009	0	75,802	3,298	6,638	9,936
31 March 2008	0	71,684	365	1,826	2,191
31 March 2007	0	30,927	14	0	14
Total Cost or Valuation	430,187	583,875	19,151	32,525	90,758

Assets under Construction

Assets under construction relate to capital expenditure which has not yet brought a fixed asset into working condition. The expenditure has been capitalised at cost and will be depreciated over the life of the asset(s) when brought into use. A breakdown of the assets under construction at the balance sheet date is shown below.

	£'000	£'000
Assets under construction as at 1 April 2010		13,254
Expenditure during 2010/11		
William Morris Gallery Redevelopment	665	
Queens Road School Project	9,105	
Construction Skills Centre	1,519	
Lloyd Park Redevelopment	367	
		11,656
Transferred to Property, Plant and Equipment		
Construction Skills Centre	(7,681)	
Secure Remote Access Project	(74)	
		(7,755)
Assets under construction as at 31 March 2011		17,155

31. CAPITAL COMMITMENTS

As at 31 March 2011, the Council had a number of capital schemes/projects planned for future years. The schemes, with a value in excess of £1 million are shown below:-

	2011/12 £'000	Later Years £'000
Schools Capital Works	20,802	41,998
William Morris Gallery (Match funded scheme)	4,128	230
HRA Ascham Homes	25,337	10,450
HRA New Build Scheme	3,060	0
Disabled Facilities Grant	1,500	900
Regeneration (Growth Area Fund)	3,260	0
Arcade Site Redevelopment	3,800	0
Lloyd Park Redevelopment (Match funded scheme)	2,395	2,065
Olympics	11,665	0
	75,947	55,643

Included within the above planned schemes are a number of projects where the Council has a contractual commitment to the capital works. Those schemes, again in excess of £1 million, where the commitment is of a contractual nature are shown below.

	2011/12 £'000	Later Years £'000
HRA Ascham Homes	25,149	8,650
HRA New Build Scheme	3,060	0
	28,209	8,650

32. INVESTMENT PROPERTIES

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement.

	2009/10 £'000	2010/11 £'000
Rental income from investment	(2,536)	(2,598)
Direct operating expenses arising from investment property	79	88
Net income	(2,457)	(2,510)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property, or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

32. INVESTMENT PROPERTIES continued

The following table summarises the movement in the fair value of investment properties over the year.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	46,239	32,426
Enhancement	0	17
Disposals	(1,500)	0
Net gains/(losses) from fair value adjustments	(5,923)	330
Transfers		
- (to)/from Property, Plant & Equipment	(5,919)	(249)
- (to)/from Assets Held for Sale	(471)	0
Balance at 31 March	32,426	32,524

33. INTANGIBLE ASSETS

Intangible assets are those which do not have physical substance, but bring economic benefit to the Council. The movement during the year is shown on the table below.

	Purchased Software	
	2009/10 £'000	2010/11 £'000
Balance as at 1 April	353	1,185
Expenditure in year	950	0
Written off to revenue in year	(118)	(434)
Balance at 31 March	1,185	751

The additional expenditure in 2010/11 represents the costs of software licenses purchased by the authority.

34. ASSETS HELD FOR SALE

Assets Held for Sale is a new class of asset under IFRS, denoting those properties the Council is actively marketing and expects to realise a sale within the next year. At 31 March 2011 these comprised a number of garages and small surplus pieces of land.

	2009/10 £'000	2010/11 £'000
Balance outstanding at start of year	4,926	934
Assets newly classified as held for sale:		
Property, plant and equipment	58	49
Investment properties	471	0
Revaluation gains/(losses)	0	0
Impairment losses	0	0
Assets declassified as held for sale:		
Property, plant and equipment	0	0
Investment properties	0	0
Assets sold	(4,521)	(58)
Balance outstanding at year-end	934	925

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35. CAPITAL EXPENDITURE AND FINANCING

A summary table of the movement in fixed assets, showing the total capital expenditure (in the additions column), is shown below. This table also demonstrates the split of both land and buildings and investment properties, between General Fund and HRA assets.

Movement of Fixed Assets 2010/11

	Carrying Value as at 31 March 10 £'000	Revaluations and Restatements £'000	Disposals in Year £'000	Transfers and Adjustments £'000	Additions £'000	Depreciation for Year £'000	Carrying Value as at 31 March 11 £'000
GENERAL FUND							
Intangible Assets	1,185	0	0	0	0	(434)	751
Land and Buildings	561,878	17,983	(21,023)	7,774	27,737	(21,090)	573,259
Vehicles Plant and Equipment	5,549	0	(109)	74	1,362	(2,294)	4,582
Infrastructure	65,344	(5)	0	0	7,304	(5,835)	66,808
Community Assets	14,271	0	0	0	304	(4)	14,571
Non-Operational Assets	61,887	2,150	0	(7,848)	11,675	(1,843)	66,021
Assets Held for Sale	225	0	0	0	0	0	225
	710,339	20,128	(21,132)	0	48,382	(31,500)	726,217
HRA							
Council Dwellings	626,246	(210,780)	(627)	(49)	23,743	(8,345)	430,188
Land and Buildings	12,968	(2,263)	0	252	0	(342)	10,615
Vehicles Plant and Equipment	748	0	0	0	0	(374)	374
Non-Operational Assets	837	(68)	(516)	(252)	0	0	1
Assets Held for Sale	709	0	(58)	49	0	0	700
	641,508	(213,111)	(1,201)	0	23,743	(9,061)	441,878
TOTAL ASSETS	1,351,847	(192,983)	(22,333)	0	72,125	(40,561)	1,168,095

Under the Accounting Code of Practice non-current assets are shown in the balance sheet at 1 April valuation (see note 30) plus expenditure in the year on acquisition or completion of new assets as well as enhancement expenditure on existing fixed assets.

Total expenditure incurred on improvement, enhancement and acquisition of fixed assets in 2010/11 was £72.125 million (£78.452 million in 09/10). This is made up of £71.189 million of capital expenditure and £935,000 of lifecycle works on PFI schools. The financing of the capital expenditure is shown in the following table:-

Financing the Current Year's Expenditure

	Dwellings, Land & Buildings £'000	Vehicles, Plant & Equip't £'000	Infrastructure & Community Assets £'000	Non-Operational Assets £'000	TOTAL ADDITIONS TO FIXED ASSETS £'000	Recharged to Revenue £'000	TOTAL £'000
Supported Borrowing	16,242	0	0	250	16,492	130	16,622
Unsupported Borrowing	11,727	857	14	0	12,598	207	12,805
Capital Receipts	104	0	0	1	105	0	105
MRA	5,240	0	0	0	5,240	0	5,240
Grants	15,062	434	7,056	10,688	33,240	4,306	37,546
Other Contributions	402	0	22	4	428	102	530
Direct Revenue Funding	2,433	66	520	67	3,086	20	3,106
	51,210	1,357	7,612	11,010	71,189	4,765	75,954

35. CAPITAL EXPENDITURE AND FINANCING continued

The Capital Financing Requirement (CFR) is a Prudential Code indicator which shows the underlying need for the Council to borrow to fund its Non-Current Assets. The Requirement is increased by capital expenditure financed from borrowing, and decreased by revenue resources put aside for the repayment of debt. An explanation of the movement in the year ended 31 March 2011 is shown in the table below.

The CFR was restated as at 31 March 2009 to reflect the recognition of finance leases.

	Restated 2009/10 £'000	**2010/11 £'000**
Opening Capital Financing Requirement	431,952	461,867
Capital Investment		
- Operational Assets	64,740	59,515
- Non-operational Assets	13,432	11,675
Revenue Expenditure funded from Capital under Statute	7,352	4,765
Equal Pay Capitalisation	4,917	0
PFI Lifecycle Works	280	934
Sources of Finance		
- Capital Receipts	(3,916)	(105)
- Government Grants and Other Contributions	(45,397)	(43,316)
- Previous borrowing reversed (abortive costs charged to revenue)	(200)	0
Sums set aside from revenue		
- Direct Revenue Financing	(2,475)	(3,106)
- Minimum Revenue Provision	(8,818)	(9,356)
Closing Capital Financing Requirement	461,867	482,873
Explanation of Movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	24,119	12,357
Increase in underlying need to borrow (unsupported by government financial assistance)	8,833	11,099
Increase / (Decrease) in underlying need to borrow (PFI)	(2,408)	(2,112)
Increase / (Decrease) in underlying need to borrow (Finance Leases)	(629)	(442)
	29,915	20,902

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36. INFORMATION ON ASSETS HELD

Fixed assets owned by the Council include the following:-

	Number as at 31 March 2010	Number as at 31 March 2011
COUNCIL DWELLINGS		
Flats	6,088	6,082
Houses and bungalows	3,923	3,919
Sheltered accommodation	458	458
Hostels	16	13
Multi occupied	4	4
OPERATIONAL LAND AND BUILDINGS		
Nursery schools	4	4
Infant schools	2	2
Junior schools	2	2
Primary schools	38	35
Secondary schools	13	11
Special schools	5	4
Youth centres	3	3
Adult education centres	3	3
Other educational properties	21	21
Leisure centres	5	5
Public halls	2	2
Cemeteries	2	2
Libraries	10	10
Elderly persons' homes	5	5
Learning difficulties homes	2	2
Day centres	5	4
Other social services facilities	2	2
Depot and Civic Amenity Sites	3	4
Community halls	16	18
Car Parks	15	13
Administrative buildings	22	20
Museums	2	2
Arts and Events	3	2
INFRASTRUCTURE ASSETS		
Conveniences - open	1	0
Roads (kilometres)	442	442
Street lighting lamps	16,502	16,502
COMMUNITY ASSETS		
Parks and open spaces	75	81
Allotment plots	1,413	1,413
INVESTMENT PROPERTIES		
Garages	2,387	2,393
Commercially let properties	136	147
Community lettings *	54	51
Industrial units	93	93

The Asset Register is continually reviewed by Portfolio Management Services to ensure that all interests in property are recorded. This has led to some adjustments and amendments being made between the years.

* Community lettings has been added as a new category; these were previously listed within Commercially let properties.

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37. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the Authority.

When the expenditure is incurred by the Council, it is debited to the Income and Expenditure Account irrespective of the method of financing. A breakdown of the funding sources which have been used to finance this expenditure are shown in the table below.

Source of Financing	2009/10 £'000	2010/11 £'000
Supported Borrowing	423	130
Unsupported Borrowing	0	207
Grants and Other Contributions	5,948	4,408
Capital Receipts	819	0
Direct Revenue Financing	163	20
Total	7,353	4,765

38. LONG TERM DEBTORS

Long term Debtors have been restated to include that relating to a newly recognised finance lease (see note 7). The remainder relate to the repayment of mortgages advanced to Right to Buy customers and Housing Associations.

	Restated Opening Debt £'000	Advances in year £'000	Payments in Year £'000	Closing Debt £'000
Housing Act Advances	25	0	0	25
Right to Buy	44	0	(13)	31
Finance Lease Long Term Debtor	3,816	0	0	3,816
	3,885	0	(13)	3,872

39. INVENTORY (previously classified as Stocks and Work in progress)

The Council now only maintains a fuel transport store.

	2009/10 £'000	2010/11 £'000
Balance outstanding at 1 April	234	22
Purchases	0	1,118
Recognised as an expense in year	(212)	(1,115)
Balance outstanding at 31 March	22	25

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40. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	2009/10 £'000	2010/11 £'000
Cash held by the Authority	65	65
Bank current accounts	15,450	19,101
Short-term deposits	14,523	8,848
Total cash and cash equivalents	30,038	28,014

41. DEBTORS

This represents the amount of money that is owed to the Council at year end. Debtors include individuals for services provided, central government departments, other local authorities, NHS and other bodies. An analysis is given below.

The accounts include estimated amounts in respect of grant subsidy receivable for Housing and Council Tax benefits. These grants are subject to a separate audit opinion and the audit of these has not yet been completed.

Current Assets - Debtors by Type	2009/10 £'000	2010/11 £'000
Central Government Bodies	25,623	11,427
Other Local Authorities	2,434	2,148
NHS Bodies	1,985	2,494
Other Entities and individuals	38,771	32,628
	68,813	48,697

Current Assets - Debtors by Service Type	2009/10 £'000	2009/10 £'000	2010/11 £'000	2010/11 £'000
Government grants due		21,029		5,618
HM Revenue and Customs - VAT		5,843		5,779
HM Revenue and Customs - SMP		24		28
Rent arrears		5,555		5,887
Housing benefit overpayment		8,173		8,897
Council Tax		15,604		11,785
GLA - Council Tax		1,568		803
External sundry debtors		15,041		14,625
Prepayments		2,572		4,156
Accruals		17,707		12,841
		93,116		70,419
less provision for bad debts				
Housing rents	(4,713)		(5,080)	
Housing benefit overpayment	(4,740)		(4,843)	
Council Tax	(11,887)		(8,767)	
External sundry debtors	(2,963)	(24,303)	(3,032)	(21,722)
		68,813		48,697

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42. CREDITORS

These are amounts owed by the Council for work done, goods received, or services rendered which have not been paid by the 31 March 2011.

Creditors by Type	2009/10 £'000	2010/11 £'000
Central Government Bodies	11,336	9,441
Other Local Authorities	414	1,258
PFI Creditors	2,112	2,225
NHS Bodies	183	248
Other Entities and individuals	50,733	50,645
	64,778	63,817

Creditors by Service Type	2009/10 £'000	2010/11 £'000
Government Departments	8,270	7,216
PFI Creditors	2,112	2,225
HM Revenue and Customs - PAYE etc	3,001	2,214
Rent Prepayments	1,182	1,176
Council Tax Prepayments	1,519	1,250
Trust Funds	167	210
LBWF Pension Fund	776	930
External Creditors	28,567	25,386
Capital Contributions	1,880	2,073
Accruals	17,304	21,137
	64,778	63,817

43. USABLE RESERVES

The Usable Reserves are those that can be applied to fund expenditure oe reduce local taxation.

	2009/10 £'000	2010/11 £'000
General Fund Balance	8,008	9,813
Earmarked Reserves	66,656	58,775
Housing Revenue Acount	2,290	1,994
Capital Receipts Reserve	6,986	8,990
Major Repair Reserve	6,577	9,580
Capital Grants Unapplied	5,470	11,922
Total Usable Reserves	95,987	101,074

Movements in the Council's usable reserves are detailed in the Movement and Reserves Statement and note 5.

An analysis of the Earmarked Reserves, Capital Receipts Reserve and the Capital Grants Unapplied Reserves is shown below. Further information on the Major Repairs Reserve is shown in note 2 to the the HRA statements

43. USABLE RESERVES continued

Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	1 April 2009 £'000	Transfers in £'000	Transfers (out) £'000	31 March 2010 £'000	Transfers in £'000	Transfers (out) £'000	31 March 2011 £'000
EARMARKED RESERVES							
Adult and Community Services	**184**	0	(43)	**141**	0	(46)	**95**
Children & Young Peoples Services							
BSF	**944**	1,000	(1,286)	**658**	2,000	(2,658)	**0**
Schools ICT	**0**	1,053	0	**1,053**	0	0	**1,053**
Frederick Bremer PFI	**271**	119	0	**390**	94	0	**484**
Lammas School PFI	**422**	0	(10)	**412**	0	(62)	**350**
Grouped Schools PFI	**4,835**	15	(1,520)	**3,330**	0	(1,425)	**1,906**
Childrens Centres	**505**	280	(148)	**637**	33	(229)	**441**
Chapel End EYC	**71**	69	(34)	**106**	12	(27)	**91**
Leisure Contract	**0**	120	0	**120**	0	(69)	**51**
ISB Reserve	**0**	107	0	**107**	0	0	**107**
Other Reserves	**38**	0	0	**38**	161	0	**199**
Environment & Regeneration Services							
Regeneration	**132**	0	0	**132**	0	0	**132**
Working Neighbourhood	**1,131**	800	(809)	**1,122**	0	(791)	**331**
Bywaters Reserve	**176**	26	(100)	**102**	0	0	**102**
Building Safer Communities	**275**	0	(51)	**224**	0	(124)	**100**
Community Safety Issues	**214**	0	0	**214**	0	0	**214**
LABGI Programme 2/3	**1,512**	1,400	(1,584)	**1,328**	0	(370)	**958**
Planning Delivery Grant	**749**	57	0	**806**	0	(504)	**302**
Preventing Violent Extremism	**78**	100	(78)	**100**	0	(32)	**68**
Accommodation Strategy	**235**	0	0	**235**	500	0	**735**
Other Reserves	**1,142**	299	(800)	**641**	1,499	(356)	**1,784**
Governance & Law							
Municipal Elections	**325**	100	0	**425**	100	(269)	**256**
Finance Department							
Systems Development	**459**	137	(149)	**447**	0	(10)	**437**
SAP SRM Upgrade	**110**	0	0	**110**	0	0	**110**
Tax Related Matters	**200**	0	0	**200**	202	(240)	**162**
Other Reserves	**671**	791	(1,287)	**175**	315	(277)	**213**
Residents First							
Community Councils	**266**	292	(268)	**290**	11	(10)	**291**
Strategy & Communications	**10**	0	0	**10**	52	0	**62**
Insurance Reserve	**2,423**	5,755	(7,380)	**798**	1,559	0	**2,357**
Corporate/Cross Cutting							
Corporate Initiatives/Restructuring	**204**	0	(30)	**174**	6,104	0	**6,279**
Fluctuating NNDR	**491**	51	(345)	**197**	50	(36)	**211**
Finance Initiatives	**1,721**	0	(400)	**1,321**	137	(1,140)	**318**
Ill Health/Corporate Redundancies	**5,793**	3,165	(2,564)	**6,394**	500	(1,560)	**5,334**
Loss of Grant & Partnership Income	**881**	2,967	(639)	**3,209**	500	(2,459)	**1,250**
Olympic Reserve	**0**	0	0	**0**	3,059	0	**3,059**
Repairs & Maintenance	**829**	500	0	**1,329**	0	(500)	**829**
Loss of Rent Income	**600**	300	(26)	**874**	0	0	**874**
Revenues & Benefits Subsidy	**5,977**	2,187	(3,023)	**5,141**	0	(2,609)	**2,532**
Collection Fund Deficit	**2,629**	0	(1,642)	**987**	0	(987)	**0**
Transformation Reserve	**2,232**	667	(24)	**2,875**	0	(1,000)	**1,875**
Equal Pay	**4,923**	4,924	(5,830)	**4,017**	441	(2,087)	**2,371**
Waste Disposal	**947**	169	0	**1,116**	0	(169)	**947**
Financial Instrument Reserve	**3,138**	1,494	0	**4,632**	1,472	(6,104)	**0**
Energy Costs	**352**	149	0	**501**	0	0	**501**
Dilapidations	**436**	11	0	**447**	58	(193)	**312**
Invest to Save Carbon Reduction	**0**	375	(39)	**336**	7	(263)	**80**
Alarm Upgrades	**0**	400	0	**400**	0	0	**400**
Revenue Financing	**2,546**	149	(2,695)	**0**	40	0	**40**
Other Reserves	**460**	105	(437)	**128**	90	(98)	**120**
Earmarked Reserves Subtotal	**51,537**	30,133	(33,241)	**48,429**	18,996	(26,704)	**40,723**

43. USABLE RESERVES continued

EARMARKED RESERVES	1 April 2009 £'000	Transfers in £'000	Transfers (out) £'000	31 March 2010 £'000	Transfers in £'000	Transfers (out) £'000	31 March 2011 £'000
Grant Related Reserves - Revenue							
Supporting People Grant	1,737	0	(131)	1,606	0	(747)	859
NHS Support for Social Care	0	0	0	0	692	0	692
School Food Trust	0	161	(8)	153	0	(12)	141
Community Cohesion	140	25	0	165	0	(103)	62
Drug Action Team (CADI) 3 Year	60	74	0	134	0	(18)	116
Migration Impacts Fund	0	118	0	118	0	(56)	62
Growth Areas Fund Grant	364	166	(66)	464	0	(95)	369
Safer Stronger Communities	140	17	0	157	0	0	157
Housing Sub-Regional Funding	679	79	(245)	513	228	(290)	451
C.B.H.A. Regeneration Fund	953	141	0	1,094	278	0	1,372
LAA Reward Grant	0	674	0	674	0	(285)	389
Other Reserves	1,012	1,352	(1,688)	676	858	(113)	1,421
Total General Fund Reserves	56,622	32,940	(35,379)	54,183	21,052	(28,423)	46,814
HRA Reserves	4,728	1,058	(750)	5,036	536	(813)	4,759
Schools Reserves	7,710	3,742	(4,016)	7,436	4,975	(5,212)	7,199
TOTAL EARMARKED RESERVES	69,060	37,740	(40,145)	66,655	26,563	(34,448)	58,772

Earmarked revenue reserves can be used to set aside available monies for major schemes, such as capital developments or asset purchases, or to fund major reorganisations, insurance reserves, or be retained for service departmental use and school balances.

The table on the previous page details the movement in the year on the Council's earmarked reserves. The following gives a brief description of reserves held under each Directorate:-

Adult Social Care Reserves

The ISIS Phase 3 reserve is being used for funding budget training courses and funding the replacement cost of the Social Services client database housed on the ISIS system.

The Adult Education Reserve is a general reserve set up to fund costs on equipment for Adult Learning. It has been fully utilised in 2010/11.

A reserve is continuing to be held for Housing Services Account Disabled Facilities work.

43. USABLE RESERVES continued

Children and Young People Services Reserves

The BSF reserve is the source of financing for BSF revenue expenditure. There are two main components to the reserve. The first is the BSF Development reserve which is the funding for the revenue element of BSF programme management costs, e.g. professional fees of advisers supporting the BSF programme. The second component is the BSF ICT reserve.

The School Budget reserve for SEN was fully utilised in 2009/10 to cover the double year effect of the Council taking over responsibility for SEN placements following in-sourcing in April 2009 and having to pay for the 2007/08 final balances.

The Directorate also maintains a reserve to cover any deficit on home to school special transport costs.

The Transformation Reserve was established by Cabinet to fund a number of specific activities in 2006/07 to support the establishment of the Children Services Directorate. In 2008/09, this reserve was used to part fund the Directorate's revenue overspend. The balance will be used in 2009/10 to fund the activities as intended.

A reserve for Children's ABG has been created to support Area Partnership key activities in schools during 2009/10.

Children's Centres developed under the Sure Start partnerships have established earmarked reserves of £743,000 to support sustainability issues of their daycare service.

Environment and Regeneration Services Reserves

LABGI 2/3 reserve has been set up from Local Authority Business Growth Incentives (LABGI) grant and the unspent Urban Regeneration Contingency items, and is to be used to meet the costs of LBWF programmed regeneration works.

The Bywaters reserve is to be used to cover deficits in the funding available for the Leyton Household Waste Recycling Centre (currently operated by Bywaters).

Building Safer Communities and Community Safety Issues reserves are ring-fenced to support the reduction of crime within LBWF.

Planning Delivery reserve provides funding to enable the authority to improve and invest in the further development and improvement of service delivery.

Working Neighbourhood Fund reserve is an earmarked amount of Area Based Grant held to fund programmed Public Realm works and support the WorkNet programme.

Preventing Violent Extremism reserve is ring-fenced to fund local strategies in building cohesive communities and reducing the threat of extremist groups.

Governance & Law Reserves

The Municipal Elections reserve is to fund the cyclical costs of local elections and there is a contribution of £100,000 included in the annual revenue budget.

43. USABLE RESERVES continued

Finance Reserves

The Systems Development reserve is to fund development costs of the Council's financial system SAP. There is also a SAP SRM Upgrade reserve to fund the SAP upgrade to incorporate the Supplier Relationship Management (SRM) module. The SAP system is currently under review and these reserves will either be used for updates to SAP or for a replacement system.

The Tax Related Matters reserve has been created to strengthen training and procedures to mitigate against future potential tax liabilities.

Residents First

Community Councils reserve is ring-fenced for the 6 areas formed from the 20 wards within LBWF, empowering the local community to delegate funding towards local community issues.

Insurance Reserve - Statement as at 31 March 2011

The Insurance reserve is to meet unforeseen events.

With the exception of damage caused by terrorism, there are no material risks which are not covered by either direct insurance or self insurance via the provision. The Insurance provision represents the estimated value of all potential claims liabilities incurred to 31 March 2011.

Corporate/Cross Cutting Reserves

The Ill Health/Corporate Redundancies reserve is set up to cover the cost of ill-health retirements over and above that provided in the base budget. It is also used to fund the cost of redundancies and early retirements of Chief Officers and other officers as they arise from a corporate restructuring.

The Transformation reserve is to meet one-off costs associated with the identification of savings and the implementation of service reviews to achieve savings.

The Loss of Grant reserve is to mitigate estimated losses and shortfalls on all general fund grants, that may arise after either auditing or changes in legislation, or grant claim conditions and changes in subsidies or partnership income.

The Equal Pay reserve is established to meet the potential liability on agreed costs of implementing Single Status.

The Collection Fund Deficit reserve was used to fund the 2009/10 deficit paid in 2010/11. The collection fund rate was reduced from 97% to 96% as part of the 2010/11 budget process, so there should not be a deficit in future.

43. USABLE RESERVES continued

Corporate/Cross Cutting Reserves continued

The Financial Instrument Reserve (FI Account) has been transferred to the Corporate Initiatives/Restructuring reserve via the Movement in Reserves Statement. The FI Account was originally set up under the 2009 SORP guidelines and related to the difference between Premiums Written Out of the FI Account and HRA contributions. It is not necessary to provide for this until 2017/18 when the HRA premium repayments cease (10 years). There will need to be a revenue contribution for the remaining 40 years of approximately £250,000. The balance on the Corporate Initiative/Restructuring Reserve will be utilised to offset slippage in the savings schedules.

An Olympics reserve has been set up to cover the costs associated with the Olympic games in 2012.

The Revenues and Benefits Subsidy reserve is money held pending audit of the Housing Benefit Subsidy claims.

Schools Reserves

Earmarked reserves for schools represent amounts held by schools under delegated schemes. These reserves are not available to the Council for general use. Unspent budgets remain at the disposal of the schools even though they are included in the Council's total of reserves. Overspendings are carried forward to be met by schools from the following years' funds. In 2010/11 the schools earmarked reserves saw a decrease of £237,000 (2009/10 £274,000) to £7.198 million.

CAPITAL RECEIPTS RESERVE

The capital receipts reserve represents receipts available to finance capital expenditure in future years, after financing capital expenditure in the year and pooling of receipts to the Secretary of State.

	2009/10 £'000	2010/11 £'000
Balance brought forward	4,331	6,986
Capital receipts in year	6,660	3,213
Prior years financing reversed	221	18
	11,212	10,217
less:		
Pooled receipts	(230)	(1,074)
Disposal Cost of HRA Receipts	(80)	(49)
Used for financing	(3,916)	(103)
Usable receipts carried forward	6,986	8,991

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43. USABLE RESERVES continued

CAPITAL GRANTS & CONTRIBUTIONS UNAPPLIED (CGU)

The reserve holds capital grants and contributions that are available to finance new capital expenditure.

Government Grants Unapplied	1 April 2009 £'000	Transfers in £'000	Transfers (out) £'000	31 March 2010 £'000	Transfers in £'000	Transfers (out) £'000	31 March 2011 £'000
Standards Fund Capital	2,058	93	(44)	2,107	0	(30)	2,077
Primary Capital Programme	2,175	0	(2,008)	167	0	(167)	0
Harnessing Technology	107	0	(7)	100	66	(110)	56
Growth Areas Fund	148	2,035	0	2,183	1,445	(130)	3,498
Aiming High for Disabled Children	0	134	0	134	0	(134)	0
Social Housing Energy Saving Prog.	0	2	0	2	271	(149)	124
Disabled Facilities Grant	0	0	0	0	268	0	268
Transforming Social Care	0	0	0	0	154	0	154
YPLA Heathcote	0	0	0	0	3,542	0	3,543
HCA - New Build Scheme	0	0	0	0	940	0	940
Housing Sub-Regional Funding				0	290	0	290
Other Reserves	574	0	(379)	195	290	(171)	314
Other Grants & Contributions Unapplied							
Other Grants	59	0	0	59	100	0	159
Other Contributions	522	0	0	522	0	(24)	498
TOTAL CGU RESERVES	5,643	2,264	(2,438)	5,469	7,366	(915)	11,921
Major Repairs Reserve	4,932	9,586	(7,941)	6,577	8,243	(5,240)	9,581

44. UNUSABLE RESERVES

The following table is the summary of the Unusable Reserves which are the reserves the Authority is not able to use to provide services.

Unusable Reserves - various	**2009/10 £'000**	**2010/11 £'000**
Revaluation Reserve	196,860	207,495
Capital Adjustment Account	697,050	481,761
Financial Instruments Adjustment Account	(21,197)	(20,744)
Pensions Reserve	(359,962)	(346,550)
Deferred Capital Receipts Reserve	43	32
Collection Fund Adjustment Account	(718)	1,842
Unequal Pay Back Pay Account	(1,491)	(541)
Accumulating Absences Account	(5,707)	(5,525)
Total Unusable Reserves	504,878	317,770

44. UNUSABLE RESERVES continued

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account also contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	723,657	697,050
Reversal of items debited and credited to the Comprehensive income and expenditure statement		
Depreciation and Impairment of Non Current Assets	(63,460)	(255,539)
Amortisation of Intangible Assets	(118)	(434)
Revenue Expenditure Funded from Capital under Statute	(1,404)	(357)
Current Value of Asset Disposals	(16,696)	(22,233)
	641,979	418,487
Adjustment to Depreciation on Revalued Assets	6,564	7,486
Accumulated Revaluation Gains on Disposals	1,243	3,917
Net written out amount of the cost of non current assets consumed in the year	649,786	429,890
Capital financing applied in year		
Capital Receipts	3,916	103
Reversal of Receipts on abortive capital expenditure	(221)	(18)
Major Repairs Reserve	6,296	5,240
Capital Grants and Contributions	30,143	33,008
Reversal of Grant Financing in previous year	0	(14)
Capital Grants Unapplied	3,010	656
Minimum Revenue Provision	8,918	9,356
Direct Revenue Financing	2,475	3,106
	704,323	481,327
Other Movements		
Equal Pay Capitalisation	(4,917)	0
Increase/(Decrease) in Market Value of Investment Properties	(2,356)	414
Other adjustments	0	6
Balance at 31 March 2011	697,050	481,747
Comprising		
General Fund	348,116	343,558
HRA	348,934	138,203
	697,050	481,761

44. UNUSABLE RESERVES continued

Revaluation Reserve

The reserve is credited with gains on the revaluation of assets. Revaluation gains which are subsequently reversed through impairment or disposal of the asset are debited from the reserve. The depreciation adjustment ensures that only the depreciation on the historic cost of assets impacts on the capital financing requirement.

The final balance on the reserve reflects the total difference between the value of the Council's assets at depreciated historical cost and their current value.

		2009/10 £'000	2010/11 £'000
Balance at 1 April		156,176	196,860
Revaluation of Assets		66,299	28,228
Balance of previously unrecognised assets		272	3,377
Balances written out due to impairment		(18,080)	(9,567)
Realised gains on disposal		(6,564)	(7,486)
Adjust depreciation on revalued assets		(1,243)	(3,917)
Balance at 31 March		196,860	207,495
Comprising:	General Fund	191,809	207,390
	HRA	5,051	105
		196,860	207,495

44. UNUSABLE RESERVES continued

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans when restructuring debt. Premiums are charged to the Comprehensive Income and Expenditure Account when the original loan is extinguished. However, it has been recognised by government that this accounting treatment does not necessarily result in a charge that is equitable in terms of the impact of gains and losses on Council Tax payers. Provisions have therefore been introduced that allow Authorities to spread the impact of premiums and discounts on Council Tax over the life of the replacement loans. The extinguishment has to be recorded in the Income and Expenditure Account in line with the Code's requirements but this is reversed out via the Movement in Reserve Statement to the Financial Instrument Adjustment Account. This account is then amortised to the General Fund Balance via the Movement in Rerserve Statement the at the rate required to be made against Council Tax. As a result of this the £20.744 million balance on the Account at the 31 March 2011 will be charged to the General Fund over the next 46 years.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	21,650	21,197
Premiums incurred in the year and charged to the comprehensive income and expenditure statement	0	0
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	(453)	(453)
Balance at 31 March	21,197	20,744

44. UNUSABLE RESERVES continued

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to Pension Funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	(276,478)	(359,962)
Actuarial gains or losses on pensions assets and liabilities	(71,556)	(24,829)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive income & expenditure statement	(31,449)	15,974
Employer's pensions contributions and direct payments to pensioners payable in the year	19,521	22,267
Balance at 31 March	(359,962)	(346,550)

Deferred Capital Receipts Reserve

These relate to the principal outstanding on Right to Buy mortgages. These form the main part of mortgages shown under long term debtors (see note 38) and will be received by instalments over agreed periods of time.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	(90)	(43)
Repayments in year	47	11
Balance at 31 March	(43)	(32)

44. UNUSABLE RESERVES continued

COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	(2,629)	(718)
Amount by which Council Tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	1,911	2,560
Balance at 31 March	(718)	1,842

UNEQUAL PAY BACK PAY ACCOUNT

The Unequal Pay Back Pay Account compensates for the differences, between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance, until such time as cash might be paid out to claimants.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	(9,820)	(1,491)
Increase in provision for back pay in relation to equal	1,752	(137)
Cash settlements paid in the year	1,660	1,087
Amount by which amounts charged for equal pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	4,917	0
Balance at 31 March	(1,491)	(541)

ACCUMULATED ABSENCES ACCOUNT

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund and HRA balances is neutralised by transfers to or from the Account.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	(4,592)	(5,707)
Settlement or cancellation of accrual made at the end of the preceding year	4,592	5,707
Amounts accrued at the end of the current year	(5,707)	(5,525)
Balance at 31 March	(5,707)	(5,525)

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45. CONTINGENT ASSETS

Housing Transfer Stock
A transfer of Housing Stock took place in 2002 from the Council to the London and Quadrant Housing Trust. Under the agreement the Right to Buy sales of this stock are paid to the Council, or held by L & Q at the Council's direction. L & Q are holding £3.350 million. However, there is a dispute between the two parties regarding the interpretation of the agreement which may ultimately increase this sum. The maximum value could be substantially higher.

Non Self Help
Relating to acquisition fees and possible damages to property,.estimated value of £234,000.

Self Help
Rent and deposit in advance relating to placement of homeless clients, these costs may be recovered via housing benefit with an estimated value of £124,000.

46. CONTINGENT LIABILITIES

The total expected value of the Contingent Liabilities is £18 million, the details of which are shown below:

Mental Health Act 1983 Section 117
A judgement in 2002 of a case involving another Local Authority found that council had been acting unlawfully in charging for residential/community care for patients who had been admitted compulsorily under the Mental Health act 1983 and were subsequently discharged with support under section 117 of the Act. In line with the court ruling, research going back to 1983 indicates potential further claims in the order of £1.67 million including accumulated interest. However, the level of actual claims remains low and is being met from the annual revenue budget.

Ascham Homes Pension Deficit
Under the management agreement with Ascham Homes , the Council has fully indemnified Ascham Homes against any under-funding of their pension scheme in respect of transferred employees should the company be liquidated. As at 31 March 2011, the Ascham Homes FRS17 Pension Liability was £4.40 million

Building Schools Future (BSF Quick Wins)
Quick Wins amounting to £12 million was received in February 2005 in respect of the BSF Wave 1 programme. This was an allocation of BSF funding from DfE in advance of the main allocations to enable authorities to take advantage of early opportunities to advance the programme. It was largely used to acquire the Hawker Siddeley site for the new Frederick Bremer school. The intention was that this allocation would then be deducted from a future allocation under the BSF scheme. However, with the cessation of BSF by government, it is possible that this will have to be repaid. There remains £844,000 unspent, therefore, there is a possible contingent liability of up to £11.156 million.

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46 CONTINGENT LIABILITIES continued

d) **Bouygues UK - Construction Skills Centre**
There is an unresolved compensation claim from Bouygues UK in relation to lost income due to the late delivery of the Construction Skills Centre to them. The Company is claiming compensation due, as it alleged that LBWF delivered the Construction Skills Centre late and as a result the company 'lost' income. These circumstances are disputed and negotiations continue. However, there may be a potential contingent liability of up to £507,000.

e) **BT**
ICT is disputing the amount payable to BT for inadequate provision of Secure Remote Access. The potential liability amounts up to £300,000.

47. FINANCIAL GUARANTEES

Waltham Forest guaranteed the outputs to be achieved by O-Regen Ltd with Future Jobs Fund money from DWP. With O-Regen in administration any repayment required due to unachieved/unevidenced outputs would be the Council's responsibility. The date of the guarantee relates to August 2010. The initial measurement of the financial guarantee is £655,000. However, the Council ascertains there is a 90% probability that its guarantee will not be called.

48. PARTNERSHIPS

The Council works closely with a number of partners in relation to the implementation of the Regeneration and Investment Strategy for Waltham Forest.

At a sub-regional level, the Council works with:

London Development Agency (LDA) on economic development and regeneration issues to support the delivery of the economic development strategy for London. The LDA was abolished in 2010 by the Coalition Government and is due to close in March 2012.

Government Office for London (GOL) and **Communities and Local Government (CLG)** on funding and delivery of the Growth Areas agenda. GOL was abolished in May 2010 by the Coalition Government and closed in March 2011.

North London Strategic Alliance on the development of a sub-regional development framework and common issues.

North London Ltd on matters relating to inward investment and tourism.

The Learning and Skills Council in relation to the National Skills Academy for Construction (NSAfC).

Thames Gateway in relation to activity along this growth corridor and synergy with North London.

48. PARTNERSHIPS continued

At a local level waltham Forest works with:-

Business forums for Waltham Forest, Leytonstone, Rigg Approach, Asian Business Association and Chamber and Argall Avenue.

The LSP (Local Strategic Partnership) Employment and Skills Action Partnership in relation to skills and enterprise.

Walthamstow Against Crime (WAC) group with the police and town centre retailers to reduce crime in the town centre.

Joint Local Authorities Regulatory Services. Host Boroughs within the Olympic Park working together to produce a coordinated approach and single point of contact between enforcers and the Olympic Delivery Authority.

Health Protection Agency on the investigation and containment of infectious diseases.

North East London Metrology Partnership. Links weights and measures authorities.

5 Olympic Boroughs Partnership co-ordinates the approach to the delivery of the London 2012 Olympic and Paralympic Games.

Waltham Forest Local Education Partnership (LEP) - Commissioned by the Council to develop new schools.

LOCAL STRATEGIC PARTNERSHIP

The Government's National Strategy for Neighbourhood Renewal which aimed to improve the poorest areas in our community was launched in January 2001. It sets out, as a national standard, what people should expect as the minimum level of services available locally. The main themes of the strategy are: Work and Enterprise, Crime, Education and Skills, Health and Housing and the Physical Environment. The Government wants to see all organisations work together to improve services and believes Local Strategic Partnerships (LSP) are one way of achieving this. Representatives from all sections of society are encouraged to belong, leading to participation in the core tasks the Government expects LSPs to perform. These are:

- Bringing together all local plans, partnerships and initiatives to work together to meet local needs.

- Preparing the Community Strategy i.e. deciding what the most important things are that need to be done.

- Developing the Local Neighbourhood Renewal Strategy to reduce areas of deprivation in the borough in order to meet national minimum targets.

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48. PARTNERSHIPS continued

SURE START PARTNERSHIP

The Sure Start Children's Centre Grant was first paid in 2004/05 to develop Children's Centres across Waltham Forest by 31 March 2008. An additional 3 Children's Centres were developed in 2008/09 enabling the delivery of core services across all 20 wards within the Borough. These Children's Centres provide day-care, family support, outreach, education, play, health, employment and information services for children under 5 and their parents/carers in the most deprived wards in the country.

The programmes are currently fully grant funded by the Department for Education until 31 March 2011.

Recorded spending in 2010/11 was £7.130 million compared to £6.932 million in 2009/10.

NPS (LONDON) LIMITED

On 1 March 2007, the Council's Building Consultancy Service was transferred to NPS (London) Ltd, a joint venture partnership between the Norfolk Property Services (NPS) Group and the London Borough of Waltham Forest. More than 50 members of staff transferred to the company. The contract is initially for 10 years.

CONNEXIONS NORTH LONDON PARTNERSHIP LIMITED

The company provides a youth support service (Connexions) for all young people aged 13 to 19 plus young people aged 20 to 24 with learning difficulties. The company was established in 2001 as part of the Connexions service initiative funded by the Department for Education.

49. PRIVATE FINANCE INITIATIVE AND SIMILAR CONTRACTS

LAMMAS SCHOOL

The project reached financial closure on 29 February 2000, with the school opening in September 2001. Lammas School began operating its 6th Form Entry in September 2005.

Under the PFI contract New Schools (Leyton) Ltd is the responsible service provider delivering Facilities Management, cleaning, ICT, catering and other associated contracts and services. The Council pays a unitary charge to New Schools (Leyton) Ltd in monthly instalments. The Council and Governing Body contributions, CLG PFI credits and Dedicated Schools Grant (DSG) contributions are used to fund the unitary charge. This contract is for 25 years and will end on 31 August 2026. The school is on the Council's Balance sheet and full control of this asset reverts to the Council at the end of the contract.

FREDERICK BREMER

The initial BSF Wave 1 project consists of the construction of a new 900 pupil school on the former Hawker Siddeley site to replace Aveling Park and Warwick School for Boys. The new school known as Frederick Bremer, was opened in September 2008 as originally planned.

Under the PFI contract BY Education (Waltham Forest) Ltd is the responsible service provider delivering hard and soft Facilities Management services (grounds maintenance, cleaning, caretaking, etc). The Council pays a unitary charge to the provider in monthly instalments. The school's governing body contributions, CLG PFI credits and DSG contributions are used to fund the unitary charge. This contract is for 25 years and will end on 31 August 2033. The school is on the Council's Balance sheet and full control of this asset reverts to the Council at the end of the contract.

49. PRIVATE FINANCE INITIATIVE AND SIMILAR CONTRACTS continued

GROUPED SCHOOLS PROJECT

The schools involved in this project are Heathcote Secondary, Chase Lane Primary (formerly separate Infants and Juniors), Riverley Primary (from September 2007 - formerly Church Mead Infants), Downsell Primary, Hillyfield Primary, Larkswood Primary and South Grove Primary. The contract was awarded to Academy Services (Waltham Forest) Limited in March 2004. All schools, except Hillyfield Primary are on the Council's Balance sheet and full control of these assets revert to the Council at the end of the contract.

Hillyfield Primary became an Academy School in January 2011. It remains part of the Grouped Schools contract, however, the Council will invoice the school for both the governor' contribution and the equivalent of the DSG contribution. The Council will continue to receive the full annual amount of the PFI credit.

Academy Services is a consortium of Kier Project Investment Limited and Dexia Public Bank, who are the shareholders in the project company. Dexia is also providing the bank loan for the project. Academy is responsible for designing, building and equipping seven replacement school buildings. They are also supplying the following Facilities Management services for a 30 year period: repairs and maintenance; security and caretaking; heating, lighting, power and water; cleaning; grounds maintenance; waste management; and supply and replacement of furniture, fittings and equipment. This contract ends on 30 April 2036.

Every few years a benchmarking exercise is undertaken on all three PFI contracts to ascertain the relative quality and competitiveness of the specific operational services in question. If the parties cannot agree an adjustment to the Unitary Charge following a benchmarking exercise, then the relevant service will be market tested. Once an agreement has been reached, the increase/decrease will be reflected on the monthly Unitary Charge invoice. This adjustment also will be subject to indexation. Any changes in costs in most cases will be picked up by the schools under their Governing Body Agreements.

There are no other known significant terms of the arrangements that may affect the amount, timing and certainty of future cashflows.

The following table gives summary details about the length of the PFI contracts and the original value of the assets that were created as a result of the agreements.

Summary of PFI Contracts

Scheme	Contract Start Date	Contract End Date	Original Asset Value
Lammas	1 September 2001	31 August 2026	£12,320,000
Grouped Schools	1 April 2004	30 April 2036	£50,421,000
Frederick Bremer	1 September 2008	31 March 2034	£20,061,000

In 2009/10, it was determined that the Authority's PFI schemes fell within the criteria of the newly applicable accounting standards that required the assets and liabilities relating to these schemes to be brought onto the balance sheet. The following table shows the current value of those assets as well as the movements in the values during 2010/11. Hillyfield Primary School, included within the Grouped Schools PFI scheme converted to Academy status in January 2011. In accordance with the accounting rules for Property, Plant and Equipment, the school asset has been removed from the Council's balance sheet, though the liabilities related to the scheme remain with the Council.

49. PRIVATE FINANCE INITIATIVE AND SIMILAR CONTRACTS continued

Balance Sheet Assets relating to PFI schemes

	Lammas School £'000	Grouped Schools £'000	Frederick Bremer School £'000	Total £'000
Value at 1 April 2010	28,957	71,511	33,571	134,039
2010/11 Capital Expenditure	151	2,910	111	3,172
PFI Contract Lifecycle Works	372	511	51	934
Depreciation	(1,092)	(2,116)	(992)	(4,200)
Impairment of Asset Value	(372)	(511)	(51)	(934)
Derecognition of Hillyfield Primary	0	(8,972)	0	(8,972)
Value at 31 March 2011	28,016	63,333	32,690	124,039

Assets constructed under a PFI scheme are paid for over the life of the contract agreement. At the point at which the asset becomes operational the Council recognises a liability equal to the value of the associated asset. Each year a portion of the unitary charge payable is recognised as writing down the asset liability. Details of the liabilities and repayment amounts for each of the Authority's PFI schemes are shown below.

Liabilities relating to the acquisition of PFI assets

	Lammas School £'000	Grouped Schools £'000	Frederick Bremer School £'000	Total £'000
Liability at 31 March 2010	10,370	41,709	18,417	70,496
Repayment in 2010/11	(171)	(1,600)	(340)	(2,111)
Liability at 31 March 2011	10,199	40,109	18,077	68,385
Repayable in 2011/12	311	1,557	357	2,225
Long Term Liability	9,888	38,552	17,720	66,160
Total Liability at 31 March 2011	10,199	40,109	18,077	68,385

49. PRIVATE FINANCE INITIATIVE AND SIMILAR CONTRACTS continued

PFI agreements require the Council to make an annual payment to the contractor known as the unitary charge. This single charge includes an element for all aspects of the contract including repayment for the original construction of that asset, interest on that liability and a service charge for services providded by the operator. Under the principles of IFRIC 12, the Council is required to split out the different portions of the unitary charge and account for them seperately. The table below shows the currently anticipated future PFI payments and the contract elements breakdown. The future estimates are based on the assumption of a constant 2.5% annual rise in the Retail Price Index.

Lammas School	**2011/12 £'000**	**2-5 years £'000**	**6-10 years £'000**	**11-15 years £'000**	**16-20 years £'000**	**21-25 years £'000**	**26-30 years £'000**	**Total £'000**
Repayment of PFI Liability	311	2,008	2,435	5,175	269	0	0	10,198
Contingent Rents*	1,626	1,073	1,342	2,551	265	0	0	6,857
Interest on asset	1	5,058	4,920	1,926	10	0	0	11,915
Lifecycle Works	241	437	1,957	467	0	0	0	3,102
Education Services	707	2,785	3,837	4,461	385	0	0	12,175
Total Payments to be Made	2,886	11,361	14,491	14,580	929	0	0	44,247

Grouped Schools Project	**2011/12 £'000**	**2-5 years £'000**	**6-10 years £'000**	**11-15 years £'000**	**16-20 years £'000**	**21-25 years £'000**	**26-30 years £'000**	**Total £'000**
Repayment of PFI Liability	1,557	6,219	6,732	7,136	7,443	10,740	282	40,109
Contingent Rents*	2,211	8,369	8,519	7,477	4,890	4,964	401	36,831
Interest on asset	2,649	9,546	9,614	7,368	4,811	2,060	3	36,051
Lifecycle Works	570	2,435	5,783	6,577	10,044	8,708	0	34,117
Education Services	1,600	6,811	9,517	10,768	12,182	13,783	0	54,661
Total Payments to be Made	8,587	33,380	40,165	39,326	39,370	40,255	686	201,769

Frederick Bremer School	**2011/12 £'000**	**2-5 years £'000**	**6-10 years £'000**	**11-15 years £'000**	**16-20 years £'000**	**21-25 years £'000**	**26-30 years £'000**	**Total £'000**
Repayment of PFI Liability	357	1,741	2,092	3,417	6,016	4,454	0	18,077
Contingent Rents*	90	461	312	376	658	557	0	2,454
Interest on asset	1,864	7,045	7,782	6,435	4,076	603	0	27,805
Lifecycle Works	76	456	2,578	3,122	3,134	1,302	0	10,668
Education Services	663	2,854	3,803	4,301	4,997	2,703	0	19,321
Total Payments to be Made	3,050	12,557	16,567	17,651	18,881	9,619	0	78,325

* Contingent rents relate to inflation on the interest charge for the original asset purchase

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50. BUILDING SCHOOLS FOR THE FUTURE (BSF)

On 5 July 2010, the Secretary of State for Education announced that following a review, the Building Schools for the Future programme was to be scrapped. BSF projects which had not achieved the status of 'financial closure' would not proceed.

The Council successfully pursued a judicial review which was held on 11 February 2011. Following this, the DfE requested further information, which the Council provided on 11 April. The Council met the DfE on 15 June 2011 with the aim of obtaining Government funding to complete some of the BSF schemes. The case was presented on the basis of the condition of Waltham Forest schools under discussion and the basic need for secondary schools in the borough. The outcome is not yet known but a positive response is hoped for.

Projects completed under the BSF programme were the new Frederick Bremer School (see PFI note 49), a combination of large-scale refurbishment and new build for Kelmscott and Walthamstow School for Girls and a new block at Whitefields Special School.

Waltham Forest was in Waves 1 and 5 of the BSF programme. Bouygues Partnership for Education and Community (BPEC) was selected as the long term private sector partner and a joint venture company known as a 'Local Education Partnership'(LEP) was set up by the Council and BPEC.

The LEP was commissioned by the Council to develop projects and deliver them through the Private Finance Initiative (PFI) (for schemes that are mainly new build) or through design and build contracts (for schemes that are mainly refurbishment). The projects include Primary Schools as well as BSF. Schools are also provided with up to date information and communications technology (ICT) facilities and an ICT managed service. This is provided by the LEP via BPEC's ICT partner, Ramesys. In the PFI schools, the private sector consortium will also provide facilities management (caretaking, security, cleaning, buildings maintenance and grounds maintenance) for 25 years. The LEP is responsible for procuring the separate contracts through its supply chain and making sure they are all properly integrated.

There were significant liabilities due to the LEP being established since 2007 and three schemes, Leytonstone, Chingford and Willowfield being at an advanced stage of development, with several other schemes in progress. The capital costs associated with these schemes amounting to £9.629 million (including £8.669 million in respect of site purchase) have been met by Prudential Borrowing in 2010/11 and the revenue costs amounting to £3.389 million have been met from the earmarked reserve for BSF (£2.659 million) with the balance of £0.730 million) offset by other revenue underspends.

51. INVESTMENTS (Short and Long Term Deposits)

The Council has a policy of temporarily investing short term surpluses of cash. At 31 March 2011, £71.1 million (£34.1 million 2010) was invested for terms between overnight and two years on the London Money Market.

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52. TRUST FUNDS

The Council acts as sole trustee for the donations and legacies from inhabitants of the Borough as summarised below. As a result of changes to the Accounting Code of Practice, these Trusts are now included as Creditors in the Council's Balance Sheet (see note 42). The Council does not act as a joint trustee for any trusts.

	Balance 1 April 2010 £	Income £	Expenditure £	Balance 31 March 2011 £
Eton Manor Trust (Outward bound type courses)	14,692	53	0	14,745
Henry Green Scholarship Fund	28,397	102	0	28,499
Mrs. Howey - deceased (to people with physical disabilities)	25,786	92	0	25,878
Jackson Bequest (Fund for Housing furniture)	3,864	19	0	3,883
Mayors Appeal (Annual appeals - to benefit the local community)	90,761	53,650	(10,819)	133,592
Various school prize funds	2,894	20	0	2,914
3 Other Trust Funds	525	2	0	527
Total Value of Trust Funds	166,919	53,938	(10,819)	210,038
Represented by:-				£
Investments on behalf of the Trusts				439
Unallocated Revenue Balances				209,599
				210,038

53. PROVISIONS

The Council makes provision in compliance with FRS12, where there is an obligation as a result of a past event, where it is probable that the Council will incur expenditure and where a reasonable estimate can be made of the amount involved. Under IFRS the provisions are split into short term (less than one year) and long term (more than one year).

In addition to the provisions shown below, there are provisions for bad debts which have been netted off against the debtors figure on the balance sheet (see note 41).

Short Term Provisions	Equal Pay Provision £'000	Short Term Compensating Absences £'000	Highways Works £'000	Adshell Clear Channel £'000	Others £'000	Total £'000
Balance at 1 April 2010	3,668	5,707	50	0	2	9,427
Additional provisions	136	5,525	0	75	29	5,765
Amounts used	(1,768)	(5,707)	0	0	0	(7,475)
Unused amounts reversed	0	0	(50)	0	(2)	(52)
Unwinding of discounting	0	0	0	0	0	0
Balance at 31 March 2011	2,036	5,525	0	75	29	7,665

Equal Pay Provision
This provision is to meet the backpay requirements of single status agreements. Originally these were scheduled to be completed by 31 March 2011, but some agreements have now slipped into 2011/12.

53. PROVISIONS continued

Short Term Compensating Absences Account
This provision is to meet the cost of unused leave accrued but not taken by staff at 31 March 2011 which impacts upon the following financial year. It is a requirement arising from the implementation of International Financial Reporting Standards.

Highways Works
Department of Transport Infrastructure Grant written back to revenue in 2010/11.

Adshell Clear Channel
Provision held to meet costs transpiring from litigation case 62408 with Clear Channel. The Council is holding payment to Clear Channel in dispute of contract termination.

Others
Includes provision for Ospring clean project, legal fees licensing and parking contract uplift.

All short term provisions are due to be realised in the next financial year.

Long Term Provisions	**HRA Interest on Purchase Monies**	**Insurance Fund**	**Total**
	£'000	**£'000**	**£'000**
Balance at 1 April 2010	48	6,533	6,581
Additional provisions	0	2,028	2,028
Amounts used	0	(3,457)	(3,457)
Unused amounts reversed	0	0	0
Unwinding of discounting	0	0	0
Balance at 31 March 2011	48	5,104	5,152

HRA Interest on Purchase Monies
Relates to compensation payments for compulsory purchased properties which could be required over a period up to 5 years.

Earmarked Provisions

Some of the main provisions included in the Provisions table are:

Environment and Regeneration Services

The balances on the Highway Works and Legal Fees (licensing) provisions have been used in 2010/11.

Corporate/Cross-Cutting

The provision for outstanding equal pay compensation payments has been adjusted to £2.036 million, which represents the estimated outstanding claims.

53. PROVISIONS continued

Insurance Provision

The Insurance balance at 31 March 2011 has reduced to £5.104 million from £6.533 million as at 31 March 2010. This represents the estimated value of potential liabilities incurred to 31 March 2011. The Council takes out insurance on vehicles, personal accident, libel and slander, money and engineering. These do not have a significant impact on the balance held in the provision or the reserve. The Council is active in risk management, identifying areas of particular risk and taking management steps with a view to reducing possible future claims and losses. With the exception of damage caused by terrorism, there are no material risks which are not covered by either direct insurance or self insurance via the provision.

HRA Provision

A provision was made in 2008/09 to reflect the decision of the Leasehold Valuation Tribunal concerning the recovery of costs from leaseholders. Following legal advice Ascham Homes has not been able to recover these costs and in 2009/10 the bulk of the provision was used to off-set the capital costs for leaseholder works.

Earmarked Provisions	**£'000**	**£'000**	**£'000**	**£'000**
Environmental Services				
Highway Works	50	0	(50)	0
Legal Fees (licensing)	2	0	(2)	0
Finance Department				
Provision for tax liability	0	624	(624)	0
Insurance Provision	6,533	3,528	(4,957)	5,104
Corporate/Cross Cutting				
Provision for Equal Pay	3,668	137	(1,768)	2,036
Total General Fund Provisions	10,252	4,289	(7,401)	7,140
HRA Provisions				
Other	48	0	0	48
Total Earmarked Provisions	10,300	4,289	(7,401)	7,188

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54. FINANCIAL INSTRUMENTS

Accounting regulations require the financial instruments (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of financial instruments.

FINANCIAL INSTRUMENTS BALANCES

	Long-Term		Current	
	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000
Investments				
Loans and receivables	0	0	63,911	98,936
Available-for-sale financial assets	0	0	0	0
Fair value through Profit and Loss	0	0	0	0
Total Investments	0	0	63,911	98,936
Debtors				
Loans and receivables	0	0	14,357	13,711
Total Debtors	0	0	14,357	13,711
Other financial assets				
Finance Leases	3,886	3,872	0	0
Total Other Long Term Assets	3,886	3,872	0	0
Total Financial Assets	3,886	3,872	78,268	112,647
Borrowings				
Financial liabilities at amortised cost	347,104	380,418	19,289	13,767
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowings	347,104	380,418	19,289	13,767
Other liabilities				
PFI	68,385	66,160	2,112	2,225
Finance Leases	4,039	3,910	0	0
Total Other long term liabilities	72,424	70,070	2,112	2,225
Creditors				
Financial liabilities at amortised cost	0	0	20,707	16,336
Total Creditors	0	0	20,707	16,336
Total Financial Liabilities	419,528	450,488	42,108	32,328

Note

LOBO's (Lender Option Borrowing Option) loans of £124 million are included in long-term borrowing although they have a call date in the next twelve months. This is consistent with paragraph 47.1.1.2e of the 2010 Code which states that ' the contractual life and contractual cash flows shall be used as the expected life of a LOBO when calculating the effective interest rate at initial recognition - unless on considering the contractual terms of the instrument the authority concludes it is able to estimate reliably the expected cash flows or expected life.'

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55. GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The gains and losses recognised in the Income and Expenditure Account are made up as follows:-

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

2010/11	Financial Liabilities £'000	Financial Assets £'000	Total £'000
Interest expense	(27,963)	0	(27,963)
Losses on derecognition	0	0	0
Total Interest payable and similar charges	(27,963)	0	(27,963)
Interest Income	0	2,029	2,029
Gains/Losses on revaluations	0	0	0
Total Interest and Investment Income	0	2,029	2,029
Net gain/(loss) for the year	(27,963)	2,029	(25,934)

Comparative figures for 2009/10

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

2009/10	Financial Liabilities £'000	Financial Assets £'000	Total £'000
Interest expense	(26,890)	0	(26,890)
Losses on derecognition	0	0	0
Total Interest payable and similar charges	(26,890)	0	(26,890)
Interest Income	0	1,296	1,296
Gains/Losses on revaluations	0	0	0
Total Interest and Investment Income	0	1,296	1,296
Net gain/(loss) for the year	(26,890)	1,296	(25,594)

56. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique
The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

56. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST continued

The rates quoted in this valuation were obtained by Treasury Management consultants 'SECTOR' from the Market on 31 March 2011 using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the fair value figures are from the PWLB notification 063/10.
- For other market debt and investments, the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31 March 2010		31 March 2011	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial Liablities	461,636	495,595	482,816	525,537
Financial Assets	82,154	82,237	116,519	116,546

Analysed as follows:

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31 March 2010		31 March 2011	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
PWLB maturity	277,201	297,291	312,201	341,212
PWLB - EIP	18,540	20,492	17,715	19,955
LOBOs	40,362	52,954	40,362	50,901
Market Loans	11,001	12,366	10,140	10,989
Bank Overdraft	15,090	15,090	7,908	7,908
Short term borrowing	4,199	4,271	5,859	5,941
Trade Creditors	20,707	20,707	16,336	16,336
Other liabilities PFI/leasing	74,536	72,424	72,295	72,295
Financial Liabilities	461,636	495,595	482,816	525,537

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56. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST continued

Note.
Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans, where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay, if the lender requested or agreed to early repayment of the loans.

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31 March 2010		31 March 2011	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Cash & Cash Equivalents	30,038	30,038	28,014	28,014
Deposits with banks and building societies	33,873	33,956	70,922	70,949
Callable Deposits	0	0	0	0
Trade Debtors	14,357	14,357	13,711	13,711
Other Assets				
Finance Leases	3,886	3,886	3,872	3,872
Financial Assets	82,154	82,237	116,519	116,546

Note
The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate deposits where the interest rate receivable is higher than the rates available for similar deposits at the Balance Sheet date. This guarantee to receive interest above current market rates, increases the amount the Council would receive if it agreed to early repayment of loans.

57. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of treasury risks actively works to minimise the Council's exposure to the effects of the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Practice on Treasury Management which was revised in 2009. In particular, it has set up twelve guidelines covering all areas of treasury management. These specify in detail the policies of the council, the procedures for putting the policies into effect and responsible officers for all aspects of treasury management. These policies cover such areas as credit risk, liquidity risk and market risk. The treasury mangement team has also fully implemented the national investment guidance (English authorities) of the ODPM (now CLG) issued on 12 March 2004.

Credit Risk
Credit risk reflects the possibility that lending counterparties may fail to repay sums arising from short term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers.

57. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit ratings are independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The Council uses the credit worthiness services provided by the Council's independent treasury advisors and uses a sophisticated modelling approach with credit ratings from all three by the rating agencies (Fitch, Moodys and Standard and Poors). In addition the model also uses credit watches and credit outlooks from credit rating agencies. The Council also uses market data and market information, information on government support for banks and the credit ratings of that government support.

The Council has a policy of limiting deposits with the four UK Government supported banks to £10 million each. A £5 million limit is applied to other banks and authorised institutions which meet the Council's minimum investment criteria.

The Council credit criteria for selecting approved counterparties and countries are published in the Treasury Management Strategy Report, which is approved annually by Council.

The Council ceased to use the following countries in 2010/11: Belgium, Denmark, Finland, Ireland, Italy, Luxembourg, Spain, Sweden and Switzerland.

At the 31 March 2011, the Council had investments with the following banks:

Country	**Counterparty**	
Australia	Commonwealth Bank of Australia	(matured 22/06/2011)
France	Credit industriel et Commercial	(matured 11/07/2011
Ireland	Ulster Bank Ltd	(matured 21/04/2011)
Ireland	Ulster Bank Ltd	(matured 03/05/2011)
UK	Bank of Scotland PLC	
UK	Barclays Bank PLC	(matured 13/06/2011)
UK	Cater Allen Private Bank	
UK	Clydesdale Bank	
UK	Llloyds TSB PLC	(matured 23/05/2011)
UK	Lloyds TSB PLC	(matured 14/06/2011)
UK	Santander UK PLC	

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

CREDIT RISK (A)	**Amounts at 31 March 2011**	**Historical experience of default**	**Historical experience adjusted for market conditions as at 31 March 2011**	**Estimated maximum exposure to default**
	£'000	%	%	**£'000**
Deposits with banks and other financial institutions	98,936	0.0%	0.0%	0
Trade Debtors	13,711	0.0%	21.9%	3,002
Total	112,647			3,002

57. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

Customers

The Council does not generally allow credit for customers, but £9.479 million (10.289 million 2009/10) of the 13.7 million (14.4 million 2009/10) balance is past its due date for payment. There are no impaired debtors.

CUSTOMER DEBT AGE ANALYSIS	RESTATED 2009/10 £'000	2010/11 £'000
Less than three months	3,114	3264
Three to six months	2,757	458
Six months to one year	1,065	669
More than one year	3,353	5088
Total	10,289	9,479

The Council Bad Debt provision covers all unsecured debt greater than 6 months old.

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The maturity structure of financial liabilities as at 31 March is as follows (at nominal value):

LIQUIDITY RISK		RESTATED 2009/10 £'000	2010/11 £'000
Public Works Loans Board		295,741	329,916
Market debt		51,363	50,502
Temporary Borrowing		4,199	5,859
Other - Bank Overdraft		15,090	7,908
Trade Creditors		20,707	16,336
Other Long Term Liabilities		74,536	72,295
	Total	461,636	482,816
Less than 1 year		39,996	30,103
Between 1 and 2 years		1,825	5,548
Between 2 and 5 years		11,563	6,665
Between 5 and 10 years		27,137	32,004
More than 10 years		381,115	408,496
	Total	461,636	482,816

Note.

In the more than 10 year category, there are £40.4 million of LOBOs which have a call date in the next 12 months.

57. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

Market Risk

Interest rate risk
The Council is exposed to interest rate risk in two different ways: the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Authority is summarised below:

• Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.

• Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.

• The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet which could also be reflected in the Movement in Reserve Statement.

• The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 38% of its borrowings in variable rate loans. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provides compensation for a proportion of any higher costs.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether the new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variations held constant the financial effect would be:-

Interest Rate Risk	**£'000**
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	50
Increase in government grant receivable for financing costs	0
Impact on Comprehensive Income and Expenditure Statement	50

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

57. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

A decrease in fair value of fixed rate borrowing of approximately £49.8 million, with no impact on the Income and Expenditure Account and Movement in Reserves Statement.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk
Investments in equity shares are not treated as financial instruments.

Foreign Exchange Risk
The Council has no financial assets or a liability denominated in foreign currencies and therefore, has no exposure to loss arising from movements in exchange rates.

58. SOFT LOANS

The Council has granted a small number of soft loans, i.e. loans at less than market rates, for example season ticket loans. Howevever, these are not considered to be material and are accounted for on a cash basis.

The Council has been granted interest free loans with an outstanding balance of £140,000 at balance sheet date, by Salix, an independent social enterprise, not for profit organisation in relation to energy conversation works carried out by the Council. The Council has deemed this amount to be de minimus and has accounted for it on a cash basis.

59. THE CASH FLOW STATEMENT

The Cashflow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

60. CASH FLOW STATEMENT OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2009/10 £'000	2010/11 £'000
Interest received	1,296	2,015
Interest paid	(24,441)	(27,297)

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61. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2009/10 £'000	2010/11 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(79,659)	(74,608)
Purchase of short-term and long-term investments	(993,333)	(890,502)
Other payments for investing activities	(17)	(89)
Proceeds from the sale of property,plant and equipment, investment property and intangible assets	8,465	3,211
Proceeds from short-term and long-term investments	984,762	853,052
Other receipts from investing activities	19,862	48,348
	(59,920)	(60,588)

62. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2009/10 £'000	2010/11 £'000
Cash receipts of short-term and long-term borrowings	292,612	54,499
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,135)	(2,112)
Repayments of short-term and long-term borrowing	(244,068)	(20,190)
Other payments for financing activities	(1,911)	2,882
	43,498	35,079

63. CASH FLOW STATEMENT - NET CASH AND CASH EQUIVALENTS

	2009/10 £'000	2010/11 £'000
Cash and cash equivalents	30,038	28,014
Less bank overdrafts	(15,090)	(7,908)
Net cash and cash equivalents	14,948	20,106

64. POST BALANCE SHEET EVENTS

Adjusting Events
There were no adjusting events as at 30 June 2011.

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SECTION – 5

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT (HRA) - INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the movement on the HRA Statement.

2009/10		2010/11		
£'000	**Expenditure**	£'000	£'000	Notes
(8,138)	Repairs and Maintenance	(8,846)		
(19,952)	Supervision and Management	(18,997)		
(745)	Rents, rates, taxes and other charges	(71)		
(26,739)	Depreciation and Impairments of non-current assets	(217,229)		5
(129)	Debt management costs	(181)		
(644)	Movement in the allowance for bad debts (not specified by the Code)	(514)		
(729)	Sums directed by the Secretary of State that are expenditure in accordance with the Code	(352)		6
(57,076)	**Total Expenditure**		(246,190)	
	Income			
43,130	Dwelling rents	43,541		
522	Non-dwelling rents	830		
4,556	Charges for service and facilities	4,572		
1,478	Contributions towards expenditure	1,816		
440	HRA Subsidy receivable	3,114		7
308	Transfers from Provisions	0		
50,434	**Total Income**		53,873	
(6,642)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(192,317)	
(314)	HRA services share of Corporate & Democratic Core		(314)	
0	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		0	
(6,956)	**Net Cost for HRA**		(192,631)	
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(302)	Gain or (loss) on sale of HRA non-current assets		663	
(10,130)	Interest payable and similar charges		(12,676)	
92	Interest and investment income		84	
(371)	Pensions interest cost and expected return on Pensions assets		(236)	
283	Capital grants and contributions receivable		2,580	
(17,384)	**Surplus or (deficit) for the year on HRA Services**		(202,216)	

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MOVEMENT ON THE HRA STATEMENT

The overall objectives for the Movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2009/10 £'000		2010/11 £'000	2010/11 £'000
3,113	Balance on the HRA at the end of the previous year		2,291
(17,384)	Surplus/(deficit) for the year on the HRA Income and Expenditure Statement	(202,216)	
16,972	Adjustments between accounting basis and funding basis under statute	203,379	
(412)	Net increase/(decrease) before transfers to/from reserves	1,163	
(410)	Transfers (to)/from reserves	(1,459)	
(822)	Increase/(decrease) in year on the HRA		(296)
2,291	Balance on the HRA at the end of the current year		1,995

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ADJUSTMENTS BETWEEN THE ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

2009/10 £'000		2010/11 £'000
1,696	Difference between interest payable and similar charges including amortisation of Premiums and Discounts determined in accordance with the Code and those determined in accordance with statute	1,674
(8)	Holiday pay accruals and other accumulating compensated absences	5
0	Backpay in relation to equal pay settlements	0
(26,364)	Depreciation/impairment on Housing Assets	(217,228)
0	Reversal of Revenue Expenditure Funded From Capital Under Statute	(20)
152	Repayment of principal for capital finance lease	338
(302)	Gain/(loss) on HRA - Non Current Assets	663
(206)	Net charges made for retirement benefits in accordance with FRS17	584
119	Capital expenditure funded by the HRA	1,787
0	Capital expenditure funded by HRA Grants	575
7,941	Transfer to/(from) the Major Repairs Reserve	8,243
(16,972)		(203,379)

Transfers to/from reserves

2009/10 £'000		2010/11 £'000
5,821	Balance as at 1 April 2010	6,231
1,301	Transfers to/(from) Earmarked Reserves	106
(891)	Transfers to/(from) Capital Grants Unapplied	1,353
410		1,459
6,231	Balance as at 31 March 2011	7,690

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HOUSING REVENUE ACCOUNT NOTES

1. HOUSING STOCK

The Council was responsible for managing an average of 10,483 dwellings units during 2010/11. At 31 March 2011, the stock was made up as follows:-

Type of Accommodation:-		**Age Profile:-**	
Low rise flats	1,566		
Medium rise flats	3,509	Pre 1919	1,377
High rise flats	1,007	1919 - 1944	1,524
Houses and bungalows	3,919	1945 - 1964	3,178
Sheltered accommodation	458	Post 1964	4,397
Multi Occupied	17		
Total	10,476	Total	10,476

The change in stock can be summarised as follows:-

		2009/10	**2010/11**
Stock at 1 April 2010		10,560	10,489
Additions			
Sales -	Right to Buy	(1)	(10)
	Other Sales	(46)	(3)
	Transfer to HAs	0	0
	Demolished	(25)	0
Review of stock		1	0
Stock at 31 March 2011		10,489	10,476

The balance sheet value of land, houses and other property within the HRA is as follows:-

	Operational Assets			**Non-operational**
	Dwellings	**Land**	**Other Property**	**assets**
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 1 April 2010	626,246	616	13,099	1,545
Additions	23,743	0	0	0
Depreciation	(8,345)	0	(716)	0
Disposals	(627)	0	0	(573)
Impairment	(206,425)	0	(1,675)	(68)
Transfers	(49)	0	252	(203)
Revaluations	(4,356)	0	(588)	0
Balance as at 31 March 2011	430,187	616	10,372	701

2. VACANT POSSESSION VALUE

The vacant possession value of dwellings within the HRA at 31 March 2011 was £1,666 million (£1,654 million 31 March 2010).

The balance sheet value of dwellings, which is stated at Existing Use Value - Social Housing (EUV - SH), is lower than the vacant possession value. This shows the economic cost to the government in providing council housing at less than the open market rental value.

3. MAJOR REPAIRS RESERVE

The following is an analysis of the Major Repairs Reserve for 2010/11:-

	2009/10 £'000	2010/11 £'000
Balance as at 1 April 2010	(4,932)	(6,577)
Amount transferred to Major Repairs Reserve	(7,941)	(8,243)
Amount transferred to HRA from Major Repairs Reserve	0	0
Debits to the Major Repairs Reserve in respect of capital expenditure on land, houses & other property in HRA	6,296	5,240
Balance as at 31 March 2011	(6,577)	(9,580)

4. CAPITAL EXPENDITURE AND RECEIPTS

The following analyses HRA capital expenditure and the sources of funding used:-

	Borrowing Approvals £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	DRF £'000	Other Income £'000	Total £'000
Houses	15,633	103	5,240	1,390	1,025	23,391
Land	0	0	0	0	0	0
Other property	0	0	0	357	0	357
REFFCUS	0	0	0	20	0	20
Total	15,633	103	5,240	1,767	1,025	23,768

Capital receipts derived from disposals of land, houses and other property within the HRA during 2010/11 are summarised as follows:-

	2009/10 £'000	2010/11 £'000
Houses	307	1,454
Land	0	0
Other property	2,274	432
Total	2,581	1,886

5. DEPRECIATION AND IMPAIRMENT

The total charge for depreciation to the HRA was £8.345 million for dwellings and £0.716 million for other property (2009/10 £10.811 million and £0.532 million, respectively). Impairment adjustments to the HRA amounted to £206.424 million for dwellings and £1.743 million for other properties (2009/10 dwellings £11.496 million and £5.267 million for investment properties). For housing dwellings, £200.579 million related to the change in government guidance for calculating the value of social housing in existing use; the remaining £5.845 million impairment charge, and £4.356 million downward revaluation, resulted from differences between the year end asset valuation and capital expenditure during the year.

6. SUMS DIRECTED BY THE SECRETARY OF STATE - RENT REBATES TRANSFERRED TO GENERAL FUND

From 1 April 2004, HRA tenant rent rebates and the subsidy received from the Department for Work and Pensions (DWP) are accounted for in the General Fund. The exception to this is the subsidy withheld by the DWP because the rent levels set for the tenants are above the DWP guideline rent. This element, known as the 'rent rebate subsidy limitation', is charged to the HRA as a reimbursement to the General Fund for its loss of subsidy income. This reimbursement will phase out as the limitation reduces, due to rent convergence with the DWP guideline rent. Reimbursement is required from the Waltham Forest HRA in 2010/11 for £352,000 (2009/10 £729,000).

7. HRA SUBSIDY

The following table shows the amount of HRA subsidy accounted for in 2010/11:-

	2009/10 £'000	**2010/11 £'000**
Management and maintenance	(20,596)	(22,021)
Loan charges	(13,566)	(15,803)
Leasing	(258)	0
Interest	9	4
Dwelling rents	41,558	42,860
Major Repairs Allowance	(7,941)	(8,243)
Previous years adjustment	354	89
Total	(440)	(3,114)

8. RENT ARREARS

The following is an analysis of the arrears on individual tenant accounts at 31 March 2011:-

	2009/10 £'000	2010/11 £'000
HRA arrears	2,769	2,948
HRA arrears were made up of:		
Dwelling rents	2,373	2,551
Other charges/adjustments	396	397
	2,769	2,948

During 2010/11, arrears have increased to 6.77% of net rent income, compared with 6.42% in 2009/10.

The total provision for rent arrears at 31 March 2011 was £2.381 million.

9. FRS17 - RETIREMENT BENEFITS - LOCAL GOVERNMENT PENSION SCHEME

The Authority considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs. From 2005/06, the HRA has also been charged with an attributable share of pensions interest costs, less expected return on pensions assets.

However, as Local Authorities can only charge actual employer contributions and payments against the HRA, the FRS17 entries are reversed out in the Movement on the HRA Statement and replaced by actual employers' contributions payable to the scheme.

The Core Statement note 25 gives further details.

10. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute on the HRA in 2010/11 was £20,000. In 2009/10 the figure was zero.

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COLLECTION FUND STATEMENT

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2009/10 £'000	THE COLLECTION FUND	2010/11 £'000	Notes
	Income:-		
	Income from Council Tax, amount receivable		
87,304	net of benefits.	87,572	
	Transfer from General Fund:-		
25,872	- Council Tax Benefits	27,061	
49,519	Income collectable - Business Ratepayers	49,017	
0	Income collectable - Business Rate Supplement	1,456	
2,091	Previous year's net deficit recovered from preceptors	1,333	
164,786	**TOTAL INCOME**	166,439	
	Expenditure:-		
110,826	Precepts	110,330	**4**
	Business Rate:-		
49,215	- Payment to National Pool	48,717	
304	- Costs of collection	300	
	Business Rate Supplement:-		**3**
0	- Payment to Levying Authotity (GLA)	1,433	
0	- Administrative Costs	23	
	Bad and Doubtful Debts		
55	- Write Offs	(6,521)	
1,953	- Provisions	8,909	
162,353	**TOTAL EXPENDITURE**	163,191	
(2,433)	(Increase)/Decrease in Fund Balance for the year	(3,248)	
3,344	Fund Balance brought forward	911	
911	**(Surplus)/Deficit Balance carried forward**	(2,337)	**5**

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NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

The Council's tax base for 2010/11 - i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings - was calculated as follows:-

Band	Estimated number of dwellings after effect of discounts	Ratio	Band D equivalent dwellings	Council Tax charge per band £
A	2,813	6/9	1,875	974.69
B	23,261	7/9	18,092	1,137.13
C	29,426	8/9	26,156	1,299.58
D	20,273	9/9	20,273	1,462.03
E	7,439	11/9	9,092	1,786.93
F	1,674	13/9	2,418	2,111.82
G	400	15/9	667	2,436.72
H	18	18/9	36	2,924.06
Total	85,304		78,609	
Less adjustment for collection rates and anticipated changes in valuations and exemptions during the year			(3,145)	
COUNCIL TAX BASE			75,464	

The product of the 2010/11 Council Tax Base (75,464) and the Band D tax charge (£1,462.03) gives an estimated income for 2010/11 of £110.330 million. This figure is based upon the number of properties in each Band as calculated by the District Valuer and an estimate of discounts and allowances to be given.

The estimate compares with the total income from Council Tax and benefits shown in the Collection Fund Revenue Account of £114.633 million. This is a cumulative figure representing total income due to be collected after taking account of changes in assessments raised, including amendments to property banding and actual discounts and exemptions allowed.

The Tax Base for 2009/10 was 75,803. This was based upon estimated Band D equivalent dwellings of 78,148, less an adjustment for collection rates and changes in valuations of 2,345.

2. INCOME FROM BUSINESS RATEPAYERS

Under the arrangement for Uniform Business Rates, the Council collects Non-Domestic Rates for its area. The amount collectable is based upon local rateable values multiplied by the uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to authorities a share of the pool based upon a standard amount per head of resident population.

Rateable values of business premises are calculated by the Valuation Office Agency (VOA), a part of HM Revenue & Customs. The charge to each premise is the product of its rateable value and the multiplier for the year. The multiplier is set annually by the Chancellor of the Exchequer.

2. INCOME FROM BUSINESS RATEPAYERS continued

The total non-domestic rateable value at 31 March 2011 was £150.224 million (this compares to the 2009/10 value of £119.940 million). The national non-domestic multiplier for the year was 41.4 pence for each pound of rateable value (48.5 pence in the pound in 2009/10).

The Valuation Office Agency (VOA) revalue all business properties in England every five years. The large increase in 2010/11 rateable value was due to the 2008 revaluations coming into force from 1 April 2010.
Legislation restricts the overall annual increase in NNDR to inflation so the rating multiplier has been

3. CROSSRAIL BUSINESS RATE SUPPLEMENT

The Greater London Authority (GLA) introduced a business rate supplement (BRS) on 1 April 2010 to finance £4.1 billion of the costs of the £15.9 billion Crossrail project, a vital new east-west train link that will provide a major boost to London's economy. A levy was introduced of 2p per every £1 of rateable value on non-domestic properties with a rateable value of £55,000 or more in London.

4. PRECEPTS

The precepts on the Collection Fund for 2010/11 were:-

	2009/10	**2010/11**
	£'000	**£'000**
London Borough of Waltham Forest	87,341	86,950
Greater London Authority	23,485	23,380
	110,826	110,330

5. COLLECTION FUND BALANCE

The Collection Fund is a statutory fund in which the Council records the transactions for Council Tax, Non-Domestic Rates and residual Community Charges. After making additional bad debt provision of £2.388 million for Council Tax, the net increase in the fund during the year was £3.248 million.

In accordance with statutory guidance, the closing surplus on the Fund of £2.337 million will be shared between its preceptors in line with their precept proportions. £1 million will be paid in 2011/12 with the balance forming part of the 2011/12 balance, which will be repaid in 2012/13.

Share of Surplus	**2011/12**	**2012/13**	**Total**
	£'000	**£'000**	**£'000**
London Borough of Waltham Forest	788	1,054	1,842
Greater London Authority	212	283	495
	1,000	1,337	2,337

The Accounting Code requires the Collection Fund Balance to be disaggregated. The share of any (surplus)/deficit relating to the GLA is shown as a creditor/debtor whilst the share relating to LBWF is included in the Collection Fund Adjustment Account on the balance sheet.

6. ACCOUNTING FOR COUNCIL TAX

From 1 April 2009 for both billing authorities and major preceptors, the Council Tax income included in the Comprehensive Income and Expenditure Account is required to include accrued income for the year.

2009/10 Total £'000		Precept £'000	Accrual £'000	2010/11 Total £'000
87,610	London Borough of Waltham Forest	86,950	1,509	88,459
23,558	Greater London Authority	23,380	406	23,786
111,168		110,330	1,915	112,245

The difference between the Comprehensive Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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SECTION – 6

GROUP ACCOUNTS

GROUP ACCOUNTS

The Code of Practice on Local Authority Accounting (the CODE) requires local authorities to consider all their interests (including statutory bodies) and to prepare a full set of group financial statements, where they have material interests in subsidiaries, associated companies or joint ventures.

Many authorities now provide services through partner organisations, which operate under the control of the Authority. In these cases the financial statements of the reporting authority alone do not represent the full picture of its activities and financial position. Group financial statements are therefore required to reflect the extended service delivery carried out by these separate legal entities on behalf of the Authority.

The Council has reviewed the relationships it has with its partner organisations to determine the scope of its local authority group. There is one organisation in 2010/11 that the Council considers falls within the definition of group accounts that has a material effect on the financial statements. That is:

- Ascham Homes Limited

Ascham Homes Limited is a London Borough of Waltham Forest controlled company, established with no share capital and limited by guarantee, for which the Council holds 27% of the voting rights. In accordance with the CODE, the Council is required to account for its interest in Ascham Homes as a wholly owned subsidiary.

The Council delegated responsibility to Ascham Homes for providing a housing management and maintenance service to its Council tenants and leaseholders in accordance with a ten year management agreement effective from the 1st May 2003. These activities were delegated under section 27 of the Housing Act 1985 (as amended by the Housing and Urban Development Act 1993). Under the delegation, the company is responsible for the following functions:

- Maintenance of the Council's residential stock including carrying out major works, planned maintenance and responsive repairs and developing partnering arrangements.

- Housing management of the Council's residential stock, including rent collection, estate management, enforcement of tenancy conditions, leasehold management and repairs ordering.

- Financial management, including collection of rent and recovery of debt.

In 2010/11, Ascham Homes reported a turnover of £46.0 million (£56.0 million in 2009/10), a retained surplus for the year of £1.172 million (£0.385 million deficit in 2009/10) and a balance sheet net liability of £3.981 million (£5.30 million in 2009/10). The net liability is made up of the FRS17/IAS19 Pension Liability of £4.439 million (£5.502 million in 2009/10) and a revenue reserve surplus of £0.458 million (£0.201 million in 2009/10).

Ascham Homes' accounts have been consolidated as a subsidiary using the merger basis of consolidation into the following group statements. Intra group transactions between the two entities have been eliminated from the statements.

At the time of consolidation, both the Council's and Ascham Homes' 2010/11 accounts were still subject to audit.

The Council has entered into other joint ventures, with NPS (Norfolk Property Services (London)) and LEP (Waltham Forest Local Education Partnership Limited). In accordance with the accounting tests, these relationships do not give rise to material obligations or a significant degree of influence or control, therefore the Council has elected not to include them in its group accounts, treating the relationships as non-material simple investment.

Group Financial Statements

Local Authorities, with material interests in subsidiaries, associates and joint ventures, are required to produce group accounts in addition to their single entity financial statements. Accordingly, the following key financial statements (with appropriate notes where applicable) have been prepared:-

- Group Movement in Reserve Statement
- Group Income and Expenditure Account
- Group Balance Sheet
- Group Cash Flow Statement

Accounting Policies

The same accounting policies have been adopted by Ascham Homes as the Council, as set out on pages 51-134**.** However there was no material implication on Ascham Homes' accounts arising from the Council complying with IFRS.

The basis of the consolidation of the group is line-by-line.

The 2009/10 Group Accounts have been restated to reflect the impact of IFRS on the Council's main statements.

Notes to the Group Statements

Notes have only been made to the statements where materially different from those shown against the Council's single entity accounts.

Ascham Homes Limited Annual Report and Financial Statements
(Registered in England & Wales, Company Number 04447876)

Copies of Ascham Homes' Annual Report and Financial Statements for 2010/11 can be obtained from their Registered Office:-

Ascham Homes Ltd
Willow House
869 Forest Road
Walthamstow
London
E17 4UH

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GROUP MOVEMENT IN RESERVES STATEMENT 2009/10 and 2010/11

Group Movement in Reserve Statement 2009/10	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repair Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Ascham Homes £'000	Total Reserves (Incl Groups) £'000
Balance at 31 March 2009	**3,475**	**69,947**	**3,113**	**4,331**	**4,932**	**5,643**	**91,441**	**564,754**	**656,195**	**(3,629)**	**652,566**
Movement in reserves during 2009/10											
Surplus or (deficit) on provision of services	(12,256)	0	(17,644)	0	0	0	**(29,900)**	0	(29,900)	(384)	(30,284)
Other Comprehensive Income and Expenditure							**0**	(25,421)	(25,421)	(1,288)	(26,709)
Total Comprehensive Expenditure and Income	(12,256)	0	(17,644)	0	0	0	**(29,900)**	(25,421)	(55,321)	(1,672)	(56,993)
Adjustments between accounting basis & funding basis under regulations	13,350	(43)	17,012	2,655	1,645	(173)	**34,446**	(34,455)	(9)	0	(9)
Net Increase/Decrease before Transfers to Earmarked Reserves	1,094	(43)	(632)	2,655	1,645	(173)	**4,546**	(59,876)	(55,330)	(1,672)	(57,002)
Transfers to/from Earmarked Reserves	3,439	(3,248)	(191)	0	0	0	**0**	0	0	0	0
Increase/Decrease (movement) in Year	4,533	(3,291)	(823)	2,655	1,645	(173)	**4,546**	(59,876)	(55,330)	(1,672)	(57,002)
Balance at 31 March 2010 carried forward	**8,008**	**66,656**	**2,290**	**6,986**	**6,577**	**5,470**	**95,987**	**504,878**	**600,865**	**(5,301)**	**595,564**

Group Movement in Reserve Statement 2010/11	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repair Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Ascham Homes £'000	Total Reserves (Incl Groups) £'000
Balance at 31 March 2010	**8,008**	**66,656**	**2,290**	**6,986**	**6,577**	**5,470**	**95,987**	**504,878**	**600,865**	**(5,301)**	**595,564**
Movement in reserves during 2010/11											
Surplus or (deficit) on provision of services	22,993	0	(202,216)	0	0	0	**(179,223)**	0	(179,223)	1,172	(178,051)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	**0**	(2,791)	(2,791)	148	(2,643)
Total Comprehensive Expenditure and Income	22,993	0	(202,216)	0	0	0	**(179,223)**	(2,791)	(182,014)	1,320	(180,694)
Adjustments between accounting basis & funding basis under regulations	(23,356)	0	203,381	2,004	3,003	(722)	**184,310**	(184,317)	(7)	0	(7)
Net Increase/Decrease before Transfers to Earmarked Reserves	(363)	0	1,165	2,004	3,003	(722)	**5,087**	(187,108)	(182,021)	1,320	(180,701)
Transfers to/from Earmarked Reserves	2,168	(7,881)	(1,461)	0	0	7,174	**0**	0	0	0	0
Increase/Decrease in Year	1,805	(7,881)	(296)	2,004	3,003	6,452	**5,087**	(187,108)	(182,021)	1,320	(180,701)
Balance at 31 March 2011	**9,813**	**58,775**	**1,994**	**8,990**	**9,580**	**11,922**	**101,074**	**317,770**	**418,844**	**(3,981)**	**414,863**

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GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

RESTATED 2009/10 NET EXPENDITURE £'000		2010/11 GROSS EXPENDITURE £'000	2010/11 GROSS INCOME £'000	2010/11 NET EXPENDITURE £'000
4,996	Central Services to the Public	36,161	32,853	3,308
50,236	Cultural, Environmental, Regulatory and Planning Services	76,487	28,626	47,861
73,037	Children's and Education Services	415,937	336,603	79,334
16,261	Highways and Transport Services	36,027	16,481	19,546
6,700	Local Authority Housing HRA	45,184	53,999	(8,815)
7,732	Other Housing Services	197,951	180,077	17,874
65,591	Adult Social Care	78,973	13,106	65,867
3,787	Corporate and Democratic Core	13,199	5,739	7,460
(1,297)	Non Distributed Costs	2,956	2,362	594
0	Exceptional Items	151,961	0	151,961
227,043	**Cost of Services**	1,054,836	669,846	384,990
14,972	Other Operating Expenditure			27,107
46,913	Financing and Investment Income			41,711
(258,647)	Taxation and Non-Specific Grant Income			(275,761)
30,281	(Surplus)/Deficit on Provision of Service			178,047
4	Tax Expenses			4
30,285	**Group (Surplus)/Deficit on Provision of Services**			178,051
(46,135)	(Surplus)/Deficit on revaluation of fixed assets			(22,038)
72,843	Actuarial (gains)/losses on pension assets/liabilities			24,681
26,708	**Other Comprehensive Income and Expenditure**			2,643
56,993	**Total Group Comprehensive Income and Expenditure**			180,694

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RECONCILIATION OF THE SINGLE ENTITY SURPLUS FOR THE YEAR TO THE GROUP SURPLUS

RESTATED 2009/10 £'000		2010/11 £'000
55,321	(Surplus)/Deficit in the Group Income and Expenditure Account attributable to the Authority	182,014
1,672	(Surplus)/Deficit in the Group Income and Expenditure Account attributable to group entities	(1,320)
56,993	(Surplus)/Deficit for the year on the Group Income and Expenditure Account	180,694

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GROUP BALANCE SHEET

RESTATED 2008/09 £'000	RESTATED 2009/10 £'000		2010/11 £'000
		NON-CURRENT ASSETS	
611,931	626,246	- Council Dwellings	430,187
554,891	591,285	- Other Land and Buildings	600,126
7,783	6,462	- Vehicles, Plant and Equipment	5,073
66,967	65,343	- Infrastructure	66,808
13,482	14,271	- Community Assets	14,571
1,508	13,254	- Assets under Construction	17,155
0	606	- Surplus Assets	91
1,256,562	1,317,467	**Total Property Plant and Equipment**	1,134,011
46,239	32,426	Investment Properties	32,525
353	1,185	Intangible Assets	751
8,000	0	Long Term Investments	0
3,941	3,886	Long Term Debtors	3,872
1,315,095	1,354,964	**TOTAL NON-CURRENT ASSETS**	1,171,159
		CURRENT ASSETS	
28,587	34,090	Short Term Investments	71,139
4,926	933	Assets held for Sale	925
234	22	Inventories	25
62,218	68,122	Short Term Debtors	48,786
20,802	32,083	Cash and Cash Equivalents	38,347
116,767	135,250	**TOTAL CURRENT ASSETS**	159,222
		CURRENT LIABILITIES	
(9,862)	(15,090)	Cash and Cash Equivalents (bank overdraft)	(7,908)
(9,598)	(4,199)	Short Term Borrowing	(5,859)
(70,059)	(63,983)	Short Term Creditors	(71,673)
(2,408)	(2,112)	Short Term PFI Creditors	(2,225)
(14,475)	(9,427)	Provisions	(7,665)
(16,177)	(8,268)	Capital Grants Received in Advance	(13,559)
(122,579)	(103,079)	**Total Current Liabilities**	(108,889)
		LONG TERM LIABILITIES	
(8,556)	(6,581)	Long Term Provisions	(5,152)
(292,936)	(347,102)	Long Term Borrowing	(380,418)
(280,247)	(365,464)	Liability related to the defined benefit pension scheme	(350,989)
(4,481)	(4,039)	Finance Lease Creditors	(3,910)
(70,496)	(68,385)	PFI Creditors	(66,160)
(656,716)	(791,571)	**TOTAL LONG TERM LIABILITIES**	(806,629)
652,567	595,564	**NET ASSETS**	414,863
		RESERVES	
		Usable Reserves	
3,616	8,209	Revenue Surplus	10,272
69,947	66,657	Earmarked Reserves	58,773
3,113	2,290	Housing Revenue Account Balance	1,995
4,331	6,986	Usable Capital Receipts Reserve	8,991
4,932	6,577	Other Reserves	9,580
5,643	5,470	Capital Grants Unapplied	11,921
91,582	96,189	**TOTAL USABLE RESERVES**	101,532
		Unusable Reserves	
156,176	196,860	Revaluation Reserve	207,495
(280,247)	(365,464)	Pensions Reserve	(350,989)
723,657	697,050	Capital Adjustment Account	481,761
90	43	Deferred Capital Receipts	32
(21,650)	(21,197)	Financial Instrument Adjustment Account	(20,744)
(2,629)	(718)	Collection Fund Adjustment A/c	1,842
(9,820)	(1,491)	Unequal Pay Back Pay Account	(541)
(4,592)	(5,708)	Accumulated Absence Account	(5,525)
560,985	499,375	**TOTAL UNUSABLE RESERVES**	313,331
652,567	595,564	**TOTAL RESERVES**	414,863

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GROUP CASH FLOW STATEMENT

RESTATED 2009/10 £'000		2010/11 £'000
(30,523)	Net surplus or (deficit) on the provision of services	(170,894)
94,507	Adjustment to surplus or (deficit) on the provision of services for non cash movements	253,836
(41,381)	Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	(43,946)
22,603	Net Cash flows from operating Activities	38,996
(60,048)	Net Cash flows from Investing Activities	(60,629)
43,498	Net Cash Flows from Financing Activities	35,079
6,053	Net increase or (decrease) in cash and cash equivalents	13,446
10,940	Cash and cash equivalents at the beginning of the reporting period	16,993
16,993	Cash and cash equivalents at the end of the reporting period	30,439

NOTES TO THE GROUP ACCOUNTS

EXPLANATION FOR RESTATED 2009/10 COMPARATIVE FIGURES

In accordance with the Code, some 2009/10 figures in the Group Statements and notes have been adjusted from those included in the published Statement of Accounts for 2009/10 to reflect the IFRS changes described in the notes to the core financial statements.

1. NOTE TO THE INCOME AND EXPENDITURE STATEMENT

The notes to the Group Income and Expenditure account have been reproduced only where there is a material difference from those in the Comprehensive Income and Expenditure Statement.

The main changes from the Council's Comprehensive Income and Expenditure Statement are:-

* The netting off of LBWF charges to Ascham Homes
* Inclusion of Ascham Homes Income and Expenditure within Local Authority Housing (HRA)
* Inclusion of pension interest cost and return on pension assets for Ascham Homes
* The netting off of Ascham Homes Income

The notes to the Income and Expenditure Account are not materially changed by the inclusion of Ascham Homes as a subsidiary in the accounts; therefore the notes provided on pages 51-134 still apply with the exception of note 25 on FRS17/IAS19 - Post Employment Benefits. The information set out below supplements the information provided on page 78**.**

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2009/10 LBWF £'000	2009/10 Ascham Homes £'000	2009/10 TOTAL £'000		2010/11 LBWF £'000	2010/11 Ascham Homes £'000	2010/11 TOTAL £'000
			Net Cost of Service:			
9,898	546	10,444	Current service cost	16,229	768	16,997
643	0	643	Past service (Gains)/Losses	(48,117)	(1,295)	(49,412)
383	100	483	Curtailment cost	246	159	405
10,924	646	11,570		(31,642)	(368)	(32,010)
			Net Operating Expenditure:			
38,926	1,073	39,999	Interest costs	41,973	1,235	43,208
(18,401)	(754)	(19,155)	Expected return on assets in the scheme	(26,305)	(1,106)	(27,411)
20,525	319	20,844		15,668	129	15,797
31,449	965	32,414	**Net Charge to the Income and Expenditure Account**	(15,974)	(239)	(16,213)
(31,449)	(965)	(32,414)	**Reversal of net FRS17 charges**	15,974	239	16,213
19,521	520	20,041	**Actual amount charged for pension contribution in the year**	21,982	676	22,658

2. NOTES TO THE GROUP BALANCE SHEET

The notes to the balance sheet are not materially changed by the inclusion of Ascham Homes accounts; therefore the notes provided on pages 51-134 still apply with the exception of the following notes:

Note 41 Debtors (partially replaces) - intra-group transactions removed
Note 42 Creditors (partially replaces) - intra-group transactions removed
Note 26 Pension Fund Liabilities (supplements)
Note 44 Pension Reserve

3. SUMMARY OF TRANSACTIONS INCLUDED IN GROUP BALANCE SHEET

LBWF 2009/10 £'000	Ascham Homes 2009/10 £'000	TOTAL 2009/10 £'000		LBWF 2010/11 £'000	Ascham Homes 2010/11 £'000	TOTAL 2010/11 £'000
1,354,799	165	1,354,964	Total Non-Current Assets	1,171,043	116	1,171,159
67,948	174	68,122	Debtors	48,647	139	48,786
14,949	2,044	16,993	Cash	20,106	10,333	30,439
(57,016)	(6,967)	(63,983)	Creditors	(61,499)	(10,174)	(71,673)
(359,962)	(5,502)	(365,464)	Pension Liability	(346,550)	(4,439)	(350,989)
359,962	5,502	365,464	Pension Reserve	346,550	4,439	350,989
8,008	201	8,209	Revenue (Surplus)/Deficit	9,814	458	10,272

4. DEBTORS

LBWF 2009/10 £'000	Ascham Homes 2009/10 £'000	TOTAL 2009/10 £'000		LBWF 2010/11 £'000	Ascham Homes 2010/11 £'000	TOTAL 2010/11 £'000
21,029	0	21,029	Government Departments	5,618	0	5,618
5,867	3	5,870	HM Revenue and Customs	5,807	3	5,810
29,332	0	29,332	LBWF residents	26,569	0	26,569
15,744	83	15,827	External debtors	15,378	119	15,497
20,279	88	20,367	Accruals	16,997	50	17,047
92,251	174	92,425		70,369	172	70,541
(24,303)	0	(24,303)	Less provision for Bad Debts	(21,722)	(33)	(21,755)
67,948	174	68,122		48,647	139	48,786

5. CREDITORS

LBWF 2009/10 £'000	Ascham Homes 2009/10 £'000	TOTAL 2009/10 £'000		LBWF 2010/11 £'000	Ascham Homes 2010/11 £'000	TOTAL 2010/11 £'000
8,270	0	8,270	Government Departments	7,216	0	7,216
3,001	961	3,962	HM Revenue and Customs	2,214	1,656	3,870
2,701	0	2,701	LBWF residents	2,426	0	2,426
776	0	776	LBWF Pension Fund	930	0	930
24,964	3,516	28,480	External debtors	27,575	771	28,346
17,304	2,490	19,794	Accruals	21,138	7,747	28,885
57,016	6,967	63,983		61,499	10,174	71,673

6. PENSION FUND LIABILITIES

In accordance with the requirement of FRS17/IAS19 - Retirement Benefits, the Council has included these costs within the financial statements and disclosed in the notes its share of assets and liabilities related to the pension fund for its employees.

Ascham Homes is an admitted body into Waltham Forest Pension Fund. The actuaries Mercer Human Resource Consulting Limited have calculated the assets and liabilities relating to Ascham Homes employees using the same assumptions as those used for Council employees.

In 2010/11, the consolidated assets and liabilities of the schemes were:-

	2009/10				2010/11	
LBWF £'000	**Ascham Homes £'000**	**TOTAL £'000**		**LBWF £'000**	**Ascham Homes £'000**	**TOTAL £'000**
(753,536)	(21,962)	(775,498)	Present Value of Liabilities	(792,445)	(22,401)	(814,846)
393,574	16,460	410,034	Fair Value of Assets	445,895	17,962	463,857
(359,962)	(5,502)	(365,464)	**Deficit in the Scheme**	(346,550)	(4,439)	(350,989)

The movement in the net pension liabilities for the year to 31 March 2011 is as follows:-

Reconciliation of present value of the scheme liabilities

	2009/10				2010/11	
LBWF £'000	**Ascham Homes £'000**	**TOTAL £'000**		**LBWF £'000**	**Ascham Homes £'000**	**TOTAL £'000**
557,295	14,947	572,242	**1 April**	753,536	21,962	775,498
9,898	546	10,444	Current Service Cost	16,229	768	16,997
38,926	1,073	39,999	Interest on Pension Liabilities	41,973	1,235	43,208
6,169	295	6,464	Contributions by Participants	6,247	291	6,538
174,359	5,501	179,860	Actuarial Gains/(Losses)	52,857	148	53,005
(579)	0	(579)	Unfunded Benefits Paid	(607)	0	(607)
(33,558)	(500)	(34,058)	Benefits Paid	(29,919)	(867)	(30,786)
643	100	743	Past service cost/(gains)	(48,117)	(1,136)	(49,253)
383	0	383	Curtailments	246	0	246
753,536	21,962	775,498	**31 March**	792,445	22,401	814,846
280,817	11,178	291,995	**1 April**	393,574	16,460	410,034
18,401	754	19,155	Expected Return on Plan	26,305	1,106	27,411
102,803	4,213	107,016	Actuarial Gains/(Losses)	28,028	296	28,324
18,942	520	19,462	Employer Contributions	21,660	676	22,336
579	0	579	Unfunded Contributions	607	0	607
6,169	295	6,464	Contributions by Participants	6,247	291	6,538
(33,558)	(500)	(34,058)	Benefits Paid	(29,919)	(867)	(30,786)
(579)	0	(579)	Unfunded Benefits Paid	(607)		(607)
393,574	16,460	410,034	**31 March**	445,895	17,962	463,857
359,962	5,502	365,464	**Net Liability**	346,550	4,439	350,989

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SECTION – 7

PENSION FUND ACCOUNTS

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PENSION FUND ACCOUNT

FUND ACCOUNT

2009/10 £'000		2010/11 £'000	Notes
	Dealing with members, employers and others directly involved in the scheme		
	Contributions receivable:		
12,792	Employers:- normal contributions	12,754	
8,329	deficit contributions	10,491	
3,281	additional contributions (early retirement)	3,294	
1,378	additional contributions (termination)	(612)	
7,462	From members:- normal contributions	7,439	
83	additional contributions	124	
33,325		33,490	
	Transfers In:		
2,449	Transfers from individuals	8,450	**3**
0	Transfers from Groups	0	
35,774		41,940	
	Benefits payable:		
(23,872)	Pensions	(24,599)	
(5,258)	Lump sum retirement benefits	(6,446)	
(355)	Lump sum death benefits	(247)	
	Payments to and on account of leavers:		
(1)	Refund of contributions	(14)	
(9,727)	Individual transfers out to other schemes	(8,322)	
0	Group Transfers	0	
(841)	**Administrative and other expenses borne by the scheme**	(976)	**12**
(40,054)		(40,604)	
(4,280)	**Net (withdrawals)/additions from dealings with members**	1,336	
	Returns on Investments		
7,451	**Investment Income**	11,061	**10**
138,907	**Profit and losses on disposal of investments and changes in value of investments**	41,141	
(2,057)	**Investment management expenses**	(2,288)	**12**
144,301	**Net returns on investments**	49,914	
140,021	**Net increase/(decrease) in the net assets available for benefits during the year**	51,250	
340,179	**Opening net assets of the scheme**	480,200	
480,200	**Closing net assets of the scheme**	531,450	

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PENSION FUND ACCOUNT (continued)

NET ASSETS STATEMENT AS AT 31 March 2011

2009/10 £'000		2010/11 £'000	Notes
	Investment Assets		
16,245	Pooled Investment Vehicle - Managed Funds Other	15,754	
70,203	Fixed Interest Securities	69,219	**4 (a)**
360,088	Equities	409,571	**4 (c)**
25,024	Unit trusts - Property	26,973	**4 (e)**
6,948	Cash and money market instruments	6,087	**9**
478,508	**Total Investment Assets**	527,604	**5**
	Investment Assets and Liabilities		
0	Debtor	0	
(556)	Creditor	(4,845)	
	Net Current Assets and Liabilities		
3,898	Debtors	8,672	**6**
(2,486)	Creditors	(929)	**7**
836	Cash in hand	948	
480,200	**Net assets of the scheme available to fund benefits at the period enc**	531,450	

The Pension Fund accounts do not account for liabilities to pay future pensions to current and prospective beneficiaries.

RECONCILIATION OF MOVEMENT IN NET ASSETS

2009/10 £'000		2010/11 £'000
340,179	Fund balance at beginning of year	480,200
1,114	Excess income over expenditure	10,109
2,412	Net Profit/(Loss) on realisation of investments	30,314
136,495	Unrealised profit/(loss) on investments	10,827
480,200	**Fund balance at 31 March 2011**	531,450

MOVEMENTS IN INVESTMENT ASSETS

Investment Assets	**2009/10 £'000**	**Purchases £'000**	**Sales £'000**	**Change in Market Value £'000**	**Cash Movement £'000**	**2010/11 £'000**
Pooled Vehicle - Managed Funds Other	16,003	38	0	(287)	0	15,754
Pooled Vehicle - Fixed Interest Securities	69,928	73,332	(70,503)	(3,539)	0	69,218
Equities	359,009	95,874	(89,993)	44,681	0	409,571
Unit trusts - Property	24,764	1,957	(33)	286	0	26,974
Cash and money market instruments	8,805	12,244	(14,753)	0	(209)	6,087
Total Investment Assets	478,509	183,445	(175,282)	41,141	(209)	527,604

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1. GENERAL

The Pension Fund is operated under the provisions of the Superannuation Act 1972 (as amended), and the Local Government Superannuation Act 1937 and Regulations issued under these powers, to provide pensions for employees of the Authority, other than teachers, who choose to join the scheme. In addition to retirement pensions, the benefits include lump sum retirement grants, death grants and widows' pensions. The pension fund scheme is classified as a contributory defined benefit scheme. Retirement and other benefits are determined by reference to length of service, remuneration etc.

The Director of Finance is responsible for the scheme in accordance with standing authority given by the Council. Recommendations to change the constitutional arrangements for the decision making for the Pension Fund were approved by Council on 26 March 2009. The result of these recommendations was that the Pension Fund Members Panel was given delegated powers and became the Pension Fund Committee. The first Committee meeting took place on 17 June 2009.

It was decided during the year following some unresolved issues not to complete the appointment of JLT Actuaries and Consultants as the Pension Fund Investment Consultant. As an interim measure the Fund re-activated a previous contract with Mercer (which had not been terminated) to provide the Fund with investment advice until 31 October 2011. A formal tender process to appoint a new investment consultant and actuary was started at the end of March 2011 with the appointments to start from 1 November 2011. Also during the year the Fund terminated the contract with its bonds manager ECM due to performance issues; the funds were invested in ETF's (exchange traded funds) as an interim measure until a new manager could be appointed. A formal tender process for a new bond manager commenced in December 2010 with the aim to have a new manager in place by June 2011.

During the year, following the 2010 Actuarial Valuation, preliminary data suggested that the Fund was expected to exhibit a sizable deficit, it was therefore an opportune time to fully appraise the current investment strategy and assess its ability to meet the Committee's aims. This Investment Strategy review took place in January 2011 and this led to the Committee approving the implementation of a new investment strategy in February 2011.

The results of this new strategy are:

To adopt the following Strategic Asset Allocation of the Fund's investments: equities 59%, fixed income (bonds) 15%, and alternatives (property, global tactical asset allocation, infrastructure and hedge funds) 26%.

That within this strategic allocation to equities, the allocation to both UK and Overseas equities be in the range of 40% to 60% with up to 15% in emerging markets. Initially 60% will be allocated to UK equities and 40% to Overseas equities.

The retention of AXA Framlington as the Fund's UK equities manager was agreed.

That a formal review of BankInvest (one of the fund managers) be undertaken and a report be presented to the Pension Fund Committee at its November 2011 meeting.

That fixed income investment be positively utilised in future as a potential source of return. The existing strategic allocation to property is maintained but worldwide geographic investment is now authorised.

The Fund continues its investment in global tactical asset allocation with Nordea at 3% of the Fund.

The Fund make a strategic allocation of 10% to infrastructure investment and 5% to hedge fund investment, to be increased to 8% if the fund were subsequently to disinvest from global tactical asset allocation.

1. GENERAL continued

Statement by Consulting Actuary

This is the statement required under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the London Borough of Waltham Forest Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014. The results of the valuation are contained in our report dated 31 March 2011.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £480.2 million represented 60% of the Funding Target of £797.8 million at the valuation date. The valuation also showed that a common rate of contribution of 11.3% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 12.5% of pensionable pay for 25 years. This would imply an average employer contribution rate of 23.8% of pensionable pay in total.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 31 March 2011. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process. For certain employers, in accordance with the FSS, an increased allowance has been made for assumed investment returns on existing assets and future contributions, for the duration of the employer's deficit recovery period.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities	**For future service liabilities**
Rate of return on investments:		
- pre retirement	6.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases:	4.5% per annum	4.5% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.0% per annum	3.0% per annum

1. GENERAL continued

Statement by Consulting Actuary

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £846 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £728 million.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2011

Valuation at 31 March 2010	**2007 £ million**	**2010 £ million**
Retired members and widows and dependants	295.9	340.8
Deferred pensioners	88.7	133.3
Members in service	287.9	323.7
Total past service liabilities	672.5	797.8
less value placed on assets of the fund (net of reserve)	472.3	480.2
Excess of liabilities accrued up to 31 March	200.2	317.6

At 31 March 2011, there were 6,510 (6,361 at 31 March 2010) employees contributing to the Fund and 5,901 (5,755 at 31 March 2010) persons in receipt of benefits from the fund and 3,747 persons preserved their benefits, (3,535 as at 31 March 2010).

2. ACCOUNTING POLICIES

The Fund's accounts are compiled in accordance with the principles set out in the Statement of Recommended Practice on The Financial Reports of Pension Schemes 2007 and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 which is IFRS compliant. The Financial Statements have been prepared on a part accruals basis. Investment income is taken into account where dividends are declared but not paid at the financial year end. Contributions to the fund are also accrued.

Investments are stated at market value with any surplus or deficit on valuation being transferred to the fund balance. Any unlisted investments are included at fair value advised by the investment managers. Transactions in foreign currencies are taken into account at the rate of exchange at the time of transaction. Asset and liability balances are translated at the bid or offer rates respectively, as at 31 March 2011.

With the Nordea Alpha Fund (GTAA), investment opportunities are implemented by utilising 9 types of strategy. These strategies are implemented through portfolios of highly liquid derivative instruments made up of a subset of asset classes, equity, fixed income, commodity and currency.

Long and short currency derivatives have also been purchased to mitigate foreign exchange risks.

The Pension Fund Accounts do not account for liabilities to pay future pensions to pay future pensions to current and prospective beneficiaries.

3. TRANSFER VALUES

Transfer values are paid and received for contributors to the Waltham Forest scheme who transfer to and from other eligible schemes.

4. INVESTMENTS

Listed investments are stated at bid-market values, as quoted at the close of business of the relevant stock exchange. Unlisted investments are stated at fair value as advised by the investment managers. Exchange Traded Funds are stated at mid-price as quoted on the relevant stock exchange.

Valuation bases for the portfolios are as follows:

	Description	
BankInvest Asset Management	Global Equities	Bid Market Value
AXA Framlington Investment Management	UK (Pooled) Equities	Bid Market Value
Nordea Investment Management	Global Tactical Asset Allocation	Fair Value
European Credit Management Limited	Overseas Fixed Income	Fair Value
State Street Global Markets	Exchange Traded Funds	Mid Market Value
UBS	UK Property	Fair Value
DTZ Investment Management	Overseas Property	Fair Value
Morgan Stanley	Transitional Management	Fair Value
RREEF Limited	UK Property	Fair Value

4. INVESTMENTS continued

INVESTMENTS at 31 March 2011	
EQUITIES	**£'000**
UK Quoted	14,895
Overseas Quoted	170,044
POOLED INVESTMENT VEHICLES	
Unit Trusts	
Equities UK Quoted	224,635
Property	10,485
Other Managed Funds	
Property	16,484
Fixed Interest Securities	0
Other - GTAA *	15,754
Sterling Corporate Bonds ETF	69,220
Cash and Money Market Instruments	6,087
Total Investment Assets	**527,604**

* The balance relates to Nordea fund investment. Please refer to Note 2: Accounting Policies, Para 3.

(a) Analysis of fixed interest securities by sector using market values as at 31 March 2011.

	2009/10 £'000	**2010/11 £'000**
Overseas private sector	69,928	69,219
	69,928	**69,219**

(b) There were no index-linked bond investments held as at 31 March 2011 or during the year.

(c) Analysis of equities and convertibles by region using market value at 31 March 2011 :-

	2009/10 £'000	**2010/11 £'000**
United Kingdom - listed	194,110	239,478
Overseas Equities		
United States and Canada	98,155	94,443
Europe	27,366	51,266
Japan	6,792	8,138
Other	32,586	16,230
	359,009	409,555

4. INVESTMENTS continued

(d) Analysis of equities and convertibles by type using market values at 31 March 2011 :-

	2009/10 £'000	2010/11 £'000
Basic Materials	6,590	8,838
Consumer Goods Industry	17,543	16,591
Consumer Services Industry	24,503	23,616
Health Care	11,046	11,877
Financials	39,224	34,041
Industrials	20,625	28,872
Telecommunications	9,229	11,569
Technology	17,171	19,364
Oil & Gas	24,414	24,986
Unit Trusts	184,408	224,634
Utilities	4,222	4,228
Other	34	939
	359,009	409,555

(e) Analysis of property unit trusts by type using market values at 31 March 2011 :-

	2009/10 £'000	2010/11 £'000
United Kingdom - listed	9,985	10,484
United Kingdom - unlisted	855	882
Overseas - unlisted	13,923	16,292
	24,763	27,658

(f) Analysis of transaction costs.

	2009/10 £'000	2010/11 £'000
Transaction Costs - BankInvest	162	215
	162	215

The Global Equities portfolio managed by BankInvest is the only segregated portfolio, and direct transaction costs incurred during the year are shown above. It is impractical to show this information for the previous year.

5. PERCENTAGE SPLIT BETWEEN MANAGERS

The fund investments are managed by seven specialist fund managers. Details of the management split showing the percentages and the market values are given below:-

Fund Values as at 31 March 2011	**Description**	**Market Value £'000**	**%**
UBS Global Asset Management	UK Property	10,484	1.99
State Street	Transitional Management	50	0.01
RREEF Limited	UK Property	781	0.15
DTZ Investment Management	Overseas Property	15,709	2.98
AXA Framlington Investment Management	UK (Pooled) Equities	224,635	42.58
Nordea Investment Management	Global Tactical Asset Allocation	15,752	2.98
BankInvest Asset Management	Global Equities	184,887	35.04
State Street Global Markets	Corporate Bond ETFs *	69,219	13.12
Cash		6,087	1.15
Externally managed		521,517	100.00
Total Fund Value		527,604	100.00

* ETFs are Exchange Traded Funds. These are investments funds traded on stock exchanges much like stocks. An ETF holds assets such as stocks, commodities or bonds. Most ETFs back an index such as the FTSE 100 for LBWF it is the iboxx GBP Corporate Bond index. The Fund is using ETFs as an interim position to get exposure to the bond market (which is part of it investment strategy) while going through the process of appointing a new active bond manager .

6. DEBTORS

Analysis of debtors outstanding at 31 March 2011 :-

	2009/10 £'000	**2010/11 £'000**
London Borough of Waltham Forest General Fund	773	929
Investments	0	5133
Pension contributions	2,375	843
Investment income	750	1,017
Other	0	750
	3,898	8,672

7. CREDITORS

Analysis of creditors outstanding at 31 March 2011 :-

	2009/10 £'000	**2010/11 £'000**
Pension contributions	1,468	0
Pensions	0	153
Accrued benefits	667	430
HMRC - PAYE	236	246
Other	115	100
	2,486	929

8. PURCHASES AND SALES OF INVESTMENTS

During the year, the fund purchased investment assets totalling £183.5 million (£98.9 million in 2009/10) and sold investment assets at a value of £175.3 million (£92.2 million in 2009/10).

In the year the Fund dis-invested of its holding ECMs Bond portfolio of £70.5m and invested in Corporate Bond ETFs with State Street Global Markets of £70.1m (the implementation shortfall of this transaction amounted to £0.3m. This was due to the following reasons:- commissions of £0.07m, bid ask spread of £0.3m, market impact of £0.2m and opportunity costs of -£0.3m). Explanation of these costs is found in note 22. All other purchases and sales relate to transactions made by the Investment Managers within the portfolios under their management. During the year £1.9 million was drawn down as part of existing commitments to the DTZ Aurora European Property Fund.

9. CASH HOLDINGS

	2009/10 £'000	2010/11 £'000
Cash held by Investment managers	8,805	6,087
Cash held by Capita	836	948
	9,641	7,035

10. INVESTMENT INCOME

Interest and dividends receivable in 2010/11 have been accounted for on an accruals basis. The accrual in the 2010/11 accounts amounted to £1 million (£0.8 million in 2009/10). The total investment income received during the year was £11.1 million analysed as follows :-

	2009/10 £'000	2010/11 £'000
Pooled Vehicle - Managed Funds Other	281	262
Pooled Vehicle - Fixed Interest Securities	(144)	97
Equities	6,440	9,815
Pooled Unit Trust - Property	633	774
Cash and market instruments	240	113
	7,450	11,061

Dividend income is gross of Withholding Tax as required by the "Financial Reports of Pension Schemes - A Statement of Recommended Practice" (Revised May 2007).
Investment income has been grossed up to include fees of £1.867 million for 2010/11 and £1.858 for 2009/10.

11. PROPERTY

Interest on property development is not applicable.

12. MANAGEMENT AND OTHER EXPENSES

Regulations now permit the Council to charge administration costs to the scheme. A proportion of relevant council officers' salaries, including on-costs, have been charged to the fund on the basis of actual time spent on scheme administration and investment related business. The fees of the fund's general investment management have been accounted for on the basis contained within their respective management agreements.

Management expenses during the year were as follows :-

	2009/10 £'000	2010/11 £'000
Administration	528	665
Actuary expenses	95	191
Investment management - central administration/other	218	120
Total administration expenses	841	976
Performance Management Expenses	106	164
Investment Management Expenses	2,085	2,124
Total investment management expenses	2,191	2,288
Total management and other expenses	3,032	3,264

Benefit administration of the fund was outsourced to Capita Hartshead Ltd with effect from 1 September 2005 and a new contract awarded through tender proceedures to Capita Hartshead with effect from 1 September 2009.

All Investment Management Expenses are now charged directly to the Fund, previously some were netted off against assets held with managers.

13. CONTRIBUTIONS

Contributions represent those amounts receivable from the Council in respect of its own contributions and those of pensionable employees. The employer's contributions are determined by the actuary at the periodic valuations of the fund's assets and liabilities required by the Local Government Pension Scheme Regulations 1997 (as amended).

14. SCHEDULED AND ADMITTED BODIES

The Pension Fund had the following scheduled and admitted bodies at 31 March 2011

SCHEDULED BODIES

Ascham Homes
Leyton VI Form College
Sir George Monoux College
Waltham Forest College
Walthamstow Academy
Hillyfields Academy
Roger Ascham Academy
Yardley Academy

ADMITTED BODIES

Kier Facilities Services Ltd (Caxton FM)
CT Plus Ltd
ECT Recycling Ltd (May Gurney Ltd)
Ellingham Employment Services (WF Mencap)
Kier Support Services Ltd
London & Quadrant Housing Trust
Kier Support Services Ltd
Orient Regeneration Trust
Capita IT (Ramesys E-Business Services Ltd)
J B Riney
Babcock (VT Group)
Outlook Care (formerly Canopy Care)
Family Mosaic
Harrison Catering Ltd (Fredrick Bremer)

15. CONTRIBUTIONS RECEIVABLE AND BENEFITS PAYABLE

Contributions represent the total amounts receivable from employers within the scheme in respect of their own contributions and any of their employees who are members of the scheme.

The employer's contributions are made at a rate determind by the Fund Actuary as necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities.

The Primary Contribution Rate used during 2010/11 was 21.5% (2009/10 19.5%). Member contribution rates are determined by a banding mechanism linked to pensionable pay.

Benefits payable are made up of pension payments and lump sums payable upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.

Transfer values are those sums paid to, or received from, other pension schemes relating to periods of previous pensionable employment. Transfer values have been brought into the accounts on a cash basis. Contributions receivable and benefits payable shown in the revenue statement can be broken down as follows:

	2009/10 £'000	2010/11 £'000
Contributions and Transfers Receivable		
London Borough of Waltham Forest	30,665	36,730
Scheduled Bodies	2,323	3,331
Admitted Bodies	2,786	1,878
	35,774	41,939
Benefits and Transfers Payable		
London Borough of Waltham Forest	37,812	37,308
Scheduled Bodies	1,046	1,705
Admitted Bodies	354	613
	39,212	39,626

16. ADDITIONAL CONTRIBUTIONS FOR EARLY RETIREMENT

Additional contributions have been made to the Pension Fund on the basis of recovering the additional costs of early retirement, ill health retirements and corporate redundancies over a period of three years. The additional contribution made in 2010/11 was £3.294 million. The Council contribution in the previous year was £3.281million.

17. DEFICIT FUNDING CONTRIBUTIONS

Employers normal contributions into the scheme totalled £25.927 million in 2010/11 (£25.780 million in 2009/10). Of this sum £10.491 million (£8.328 million in 2009/10) relates to deficit funding payments across all employers in the Fund.

18. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions (AVCs) are not paid into the Council's Pension Fund. The Fund is only involved in collecting and paying over the AVCs on behalf of scheme members and the separately invested amounts are not included within the transactions recorded in these pension fund accounts, in accordance with regulations 5 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.

The AVC provider to the Fund is Clerical Medical (the previous AVC provider was Equitable Life Assurance Society, members still have preserved contributions with this provider). The assets of these investments are held separately from the Fund. The AVC provider secures additional benefits on a money purchase basis for those members electing to pay AVCs.

During 2010/11 Members paid £45,269 contributions to their personal AVCs and the value of their investments was £590,755 at 31 March 2011.

19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Credit Risk

This is the risk that other parties may fail to pay amounts due to the Pension Fund. For example an interest payment or coupon due may not be paid out, or a loan (bond) may not be repaid. The Fund only allows its investment managers a low level of risk when undertaking investments to reduce the likelihood of a default occurring on an investment. The Fund also employs a custodian to ensure that all transactions are settled in an appropriate fashion.

Liquidity Risk

This is the risk that the Pension Fund might not have the monies available to meet payments due from the Fund (e.g. to members). Over the last few years contributions have tended to be greater than benefits, ensuring that enough cash is available to meet payments.

The Fund currently utilises two bank accounts and one money market account. The money market account is held with the custodians and holds cash relating mostly with investment activities. The other accounts are held with the Pension Fund benefits administrator (Capita) and Waltham Forest, these accounts hold cash relating to member activities. From 1 April 2011 the Pension Fund will have a separate bank account from the Council for member activities.

If the Fund it did not have the monies available to meet its immediate commitments it is able to borrow for up to 90 days. If there was a longer term shortfall, then assets could be sold to provide additional cash.

In addition, the Fund has a mix of liquid assets such as equities and bonds, alongside smalleramounts in less liquid investments such as property.

Refinancing Risk

This is the risk that an investor can not re-borrow to repay existing debt. To minimise exposure to this risk, the Fund places limits on the amount of leverage investment managers can deploy within portfolios.

19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

Market Risk

This is the risk that financial loss could arise as a result of changes in such measures as interest rates and stock market movements. The Fund mitigates these risks as follows:

(i) Interest Rate Risk - To mitigate against this risk the Fund holds a percentage in its portfolio in fixed interest securities, to provide some protection if interest rates fall.

(ii) Price Risk - This is the risk that stock prices fall, resulting in a potential loss to the Fund. To mitigate this risk the Fund has a diverse portfolio with different asset classes, countries and market sectors and takes professional advice on asset allocation. The Fund is also managed by different investment managers with different market styles, who are regularly monitored. Therefore any fall in prices should not affect the Fund as a whole. The fund can also use certain derivative products as part of efficient portfolio management and to mitigate against various risks.

iii) Foreign Exchange Risk - This is the risk that foreign exchange rates move in such a way to reduce the sterling equivalent of overseas holdings. To mitigate against this risk the Fund has holdings in different countries and maintains a bias to the UK. The Fund can also use derivatives to defensively hedge non UK exposure.

20. EXTERNAL AUDIT FEES

Included within the administration expenses in the Fund Account are external audit costs of £38,500 for 2010/11 (£38,500 in 2009/10).

21. COMMITMENTS

The Fund has commitments in relation to its European property portfolio holdings. These commitments are drawn down in tranches over time as and when the property manager requests them. As at 31 March 2011 the Fund had £3.120 million of European property commitments outstanding (£5.170 million as at 31 March 2009/10). These are not required to be included in the Pension Fund accounts.

22. OTHER TRANSACTIONS

There are no material transactions that have not been disclosed in the accounts. Although during the year there was an implementation shortfall of £0.3 m due to the dis-investment of ECM and the re-investment in ETF's (accounted for in note 8).

These are explained as follows:

Commission Costs - This is the explicit cost of trading with a broker. Commission costs are charged to execute open market and external cross trades.

Bid ask spread - The difference between the price at which a security can be purchased or sold in the market.

Market impact - Firstly, the adverse price movement of a security away from the mid market price for either buyer or seller when there is insufficient supply or demand to meet the volume required to complete the desired trade. Secondly, Implementation shortfall, a measure of a transition cost, it compares the actual performance of the assets over the period of the transition, against the performance of the target portfolio. If the transition had been implemented instantaneously with zero cost. The performance measurement starts from the close of business on the day previous to the first day of trading.

23. RELATED PARTY TRANSACTIONS

The Pension Fund is a related party of the Council, the contractor for benefits administration, the custodian, employers of the fund and Investment managers. All of the above transactions are between the Council and Pension Fund.

24. FURTHER INFORMATION

Copies of the Pension Fund Annual Accounts, Annual Report, Statement of Investment Principles, Funding Strategy Statement, Myner's Compliance Document and Pension Fund Valuation 2010 are published on the Council's website:

www.walthamforest.gov.uk/council-finance.htm

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SECTION – 8

ANNUAL GOVERNANCE STATEMENT

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ANNUAL GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

The Council's Responsibility

The London Borough of Waltham Forest has to ensure that it carries out its business in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework of Good Governance in Local Government. A copy of the Local Code together with our Corporate Governance map are published on the website on our ethical governance page or can be obtained from the Director of Governance and Law. This statement explains how the Council has complied with the Code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of a statement of internal control.

The purpose of the governance framework

The governance framework comprises all of the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework, including the Council's system of internal control, has been in place for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

The governance environment

- The Council priorities and commitments were agreed by Cabinet in December 2010. The five priorities are to:
    - Protect the most vulnerable in our community
    - Improve the safety of our community
    - Get Cleaner and Greener
    - Regenerate our Borough
    - Make the most out of the Olympics
- The delivery and monitoring of these priorities and their associated commitments are reported to our residents, Cabinet and directly to the Leader and Chief Executive on a quarterly basis
- Over the past six years the Council has developed its capacity to consult and engage and established an effective two-tiered framework based on a centrally and service area led programme of ongoing and discrete initiatives. This framework provides coverage for community engagement across key resident and customer groups, in relation to the range of services we provide and timely opportunities for customers and residents to play a key role in determining priorities, shaping the design of and improving services.
- The constitutional framework sets out how decisions are made and the procedures that are followed to ensure open and transparent policy and decision making that complies with established policies, procedures, laws and regulations and is accountable to local people. The Council's policy and decision making is through the Cabinet process. These meetings are open to the public, except where personal or confidential matters are being discussed. In addition, senior officers make decisions under delegated authority.
- The Council's Constitution includes effective mechanisms to ensure the probity and legality of decision-making. This includes important roles for the Overview and Scrutiny and Audit and Governance Committees as well as Statutory Officer functions and giving members the opportunity for effective challenge;
- There is pro-active oversight and promotion of the ethical framework by the Council's Standards Committee;
- The Council has designated the Director of Governance & Law as the Monitoring Officer whose function is to ensure compliance with established policies, procedures, laws and regulations. After consultation with the Head of Paid Service and Chief Financial Officer, the Monitoring Officer will report to full Council if she considers that any proposal, decision or omission would result in unlawfulness or maladministration;
- The financial management of the Council is conducted in accordance with the Financial Regulations and the Financial Procedure Rules set out in the Constitution. The Council has designated the Director of

Finance as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a financial strategy that is updated annually supporting the Council's strategic objectives. The financial strategy ensures the economical, effective and efficient use of resources including a financial management process for reporting the Council's financial standing;

- The Council's financial management arrangements conform to the requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010);
- The Council has in place a framework for the procurement of goods and services underpinned by the Contract Procedure rules, which were reviewed and revised during 2010/11, and the framework was further strengthened by the introduction of an e-tendering application.
- The Council maintains an effective Internal Audit service that operates in accordance with the standards set out in the Code of Audit Practice for Internal Audit in Local Government. The Internal Audit service is provided through an external delivery partner, the London Audit and Anti-fraud Partnership, a joint venture between the London Borough of Croydon and Deloitte. The effectiveness of the Internal Audit service was assessed during 2010/11 by the Council's Head of Internal Audit undertaking a self-assessment and by a peer review carried out by another London Borough. These reviews concluded that the Internal Audit service is satisfactory and fit for purpose. The Council's Internal Audit Service conforms to the requirements of the CIPFA statement on the role of the Head of Internal Audit (2010);
- Waltham Forest Council has adopted strategies, policies and practices that are consistent with the principles of the CIPFA/SOLACE Framework Good Governance in Local Government;
- The Council has sound risk management processes to identify, assess and manage the significant business risks to the Council's objectives including those of its key strategic partnerships. The risk management process includes a risk management strategy and policy that are reviewed annually and revised when necessary; departmental and programme board risk registers and a corporate risk map; a Corporate Risk Management Group; and appropriate staff and Member training. Each Council directorate has a designated risk management champion. Key corporate risks are regularly reviewed by the Council's Leadership Team and by the Audit and Governance Committee;
- The Council has adopted codes of conduct for its staff and its Members. These are introduced to all staff and Members as they are inducted into the organisation. They are available for reference at all times;
- To ensure that concerns or complaints from the public can be raised, the Council has adopted a formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal;

- A whistleblowing policy has been adopted to enable staff, partners and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified and the policy was reviewed and updated during 2010/11;
- Members' induction training is undertaken after each election. In addition, an on-going programme of training and awareness is available for Members with formal and informal events each year;
- The Council has in place a framework for the governance of partnership arrangements, for example with the housing ALMO;
- Robust arrangements exist in relation to Voluntary Sector Commissioning – the Compact, and during 2010/11 the control environment for making grants to voluntary organisations were reviewed and revised;
- There is a strong anti-fraud culture embraced by members and officers.

Review of effectiveness

The Council will review, at least annually, the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report to the Audit and Governance Committee and also by comments made by the external auditors and other review agencies and inspectorates.

Processes that have applied in maintaining and reviewing the effectiveness of the system of internal control include the following:

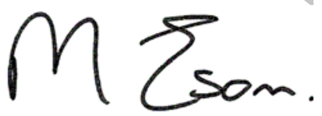
- Audit and Governance Committee, Cabinet and Scrutiny Panels;
- assurance statements from the Executive and Strategic Directors on the governance and internal controls within their respective directorates;
- a risk management framework including management of key risks;
- a review process of the main Corporate and Service based risks; including risks with partners;
- the work of internal audit;
- the external assurance framework;
- the Annual Report of the Head of Internal Audit;
- the Statutory Officers' role;
- the Performance Management framework;
- the Corporate Complaints and Ombudsman framework;
- the Equalities and Diversity framework (as far as it relates to governance);

- the anti fraud and whistleblowing framework;
- the 'Framework for Managing People' including Public Services Ethics; and
- The External Audit view on the accounts.

Significant governance issues

- There were no material losses;
- The current economic climate and the Government's deficit reduction strategies continue to make budget setting a challenging process with the Council needing to reduce its overall budget by some £65m during the next four years. Significant resource gaps have been identified for 2011/12 through to at least 2014/15 that need to be met from transformation savings. The Authority has demonstrated that, in the past, it is able to take difficult financial decisions and our budget processes build on that good practice. The Council has already identified savings of £29m to be achieved in 2011/12 with a further £15m identified for 2012/13. Work will continue throughout 2011/12 to identify the required reductions needed to achieve the remaining savings.

Over the coming year we will continue to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and their implementation and operation will be monitored as part of our next annual review.



Martin Esom | **Chris Robbins**

Chief Executive | **Leader of the Council**

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SECTION – 9

GLOSSARY OF FINANCIAL TERMS

GLOSSARY OF FINANCIAL TERMS

ACCRUALS
This is the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARY
An independent consultant who advises on the financial position of the Pension Fund.

ACTUARIAL VALUATION
A review carried out every 3 years, by the actuary on the assets and liabilities of Pension Fund. The actuary reports to the Council on Fund's financial position and recommended employers' contribution rates**.**

AMORTISATION
The writing off of a loan balance over a period of time to revenue.

AREA BASED GRANT
A non-ringfenced general grant allocated to specific policy criteria rather than general formulae, used to support delivery of local, regional and national priorities in the local authority.

BAD DEBT PROVISION
An amount set aside to cover money owed to the Council where it is considered doubtful payment will be received.

BAND PROPORTIONS
(Also known as VALUATION BANDS)
This is the proportion that a domestic property bears in relation to the 'standard' Band D Council Tax. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard', and so on.

BILLING AUTHORITY
A district, unitary or London borough council, or the Council of the Scilly Isles. The billing authority is responsible for levying and collecting the Council Tax in its area, both on its own behalf and that of its precepting authorities.

BUDGET
The budget represents a statement of the Authority's planned expenditure and income.

CAPITAL EXPENDITURE
Expenditure on acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing asset.

CARRYING AMOUNT/CARRYING VALUE
These terms refer to the capitalised cost of a fixed asset, less accumulated depreciation.

CAPITALISED CURRENT EXPENDITURE
Expenditure which would normally score as current expenditure, but which a local authority has been allowed to capitalise by a direction from the Secretary of State (e.g. redundancy payments).

CODE
The Code of Practice on Local Authority Accounting in the United kingdom 2010/11.

COLLECTION FUND
A fund operated by the billing authority into which are paid all receipts of Council Tax and National Non-Domestic Rates. Payments are made from the fund to support the Council's general fund services and to the precepting authorities and the NNDR pool. The fund must be maintained separately from the authority's general fund.

CONSUMER PRICES INDEX (CPI)
CPI is the measure adopted by the Government for its UK inflation target. In the June 2010 Budget, the Chancellor announced the Government's intention to also use the CPI for the price indexation of benefits, tax credits and public sector pensions from April 2011.

COMMUNITY ASSETS
Assets that the Authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

COMPONENTISATION
The recognition of distinct parts of an asset (components) as separate assets for depreciation purposes.

CONTINGENT LIABILITY
Sums of money that the Council will be liable to pay in certain circumstances. e.g. as a result of losing court cases.

COUNCIL TAX
A system of local taxation introduced from 1st April 1993, as a replacement for the Community Charge (poll tax). It is set by both the billing and precepting authorities at a level determined by the council tax base for the area.

COUNCIL TAX BASE
An amount calculated by the billing authority, by applying the band proportions to the total properties in each band in order to ascertain the number of band D equivalent properties in the authority's area. The tax base is also used by

the precepting and some levying bodies in determining their charge to the area.

CREDITORS
Amounts of money owed by the Council for goods or services received.

DEBTORS
Amounts of money owed to the Council for goods or services provided.

DEDICATED SCHOOLS GRANT (DSG)
There was a change in the funding of specific and formula grants in 2006/07 largely due to changes in the way that expenditure on schools is funded. From 2006/07, local authorities received DSG within specific grant rather than funding previously included in formula grant.

DEPRECIATION
A provision made in the accounts to reflect the value of assets used during the year e.g. a vehicle purchased for £30,000 with a life of five years would depreciate on a straight-line basis at the rate of £6,000 per annum. Depreciation forms part of the 'capital charge' made to service revenue accounts and is covered by International Financial Reporting Standard (IFRS) 16.

DIRECT REVENUE FINANCING
Funding of capital expenditure directly from revenue budgets.

EARMARKED RESERVES
Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish a provision.

EXTERNAL AUDITOR
The auditor appointed by the Audit Commission to carry out an audit of the Council's accounts. Currently this is the Audit Commission.

FAIR VALUE
Fair Value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at appropriate price, with no motive in their negotiations other than to secure a fair price.

FINANCE LEASE
A contractual agreement for the use of an asset, where in substance the risks and rewards associated with ownership reside with the user of the asset (lessee) rather than the owner (lessor).

FINANCIAL YEAR
The local authority financial year starts on 1 April and ends on the following 31 March.

FIXED ASSETS
Assets which yield a benefit to the authority for a period of more than one year.

GENERAL FUND
This is the main revenue account of the Council. It includes the cost of all services provided which are paid from government grants, generated income and the borough's share of council tax income and the share of the business rate pool. By law, the general fund includes the cost of services provided by other bodies who charge a levy to the Council.

HOUSING REVENUE ACCOUNT (HRA)
The HRA includes expenditure and income arising from the provision of rented dwellings. It is, in effect, a landlord account. Statute provides for this account to be separate from the general fund and any surplus or deficit must be retained within the HRA.

IMPAIRMENT
This is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

INFRASTRUCTURE ASSETS
Fixed assets that are unable to be readily disposed of, the expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

INTANGIBLE ASSETS
Fixed assets, which do not have a physical form but provide an economic benefit for a period of more than one year.

INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE (IFRIC)
A body which sets financial reporting guidelines based upon International Financial Reporting Standards. The treatment of PFI for 2009/10 accounts and subsequent years were based upon the adoption of IFRIC standard 12. IFRIC standard 4 has been followed in determining whether an arrangement contains a lease.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
From 1 April 2010 the rules governing the production of the Council's external financial reporting changed. Local Authorities across the country are required to adopt a new code of practice based on an internationally agreed set of financial rules. These are commonly referred to as International Financial Reporting Standards (IFRS). These standards dictate a greater level of analysis and disclosure than

previous requirements and will allow the readers of the Accounts to gain a much clearer understanding of the Council's financial position and activities.

LEVIES
These are fees paid to a number of statutory bodies, such as the North London Waste Authority and the Lee Valley Regional Park Authority, that provide a service to LBWF.

LOCAL AUTHORITY BUSINESS GROWTH INCENTIVE (LABGI)
This funding is designed to reward local authorities for encouraging local economic and business growth. It ceased in 2010/11 when the Coalition Government took office.

LOCAL STRATEGIC PARTNERSHIP (LSP)
Local Strategic Partnerships (LSPs) are non-statutory, multi-agency partnerships, which match local authority boundaries. LSPs bring together at local level the public, private, community and voluntary sectors; allowing different initiatives and services to support one another to work together more effectively.

MINIMUM REVENUE PROVISION (MRP)
A statutory amount, that has to be charged to revenue, to provide for the redemption of debt.

NATIONAL NON-DOMESTIC RATE (NNDR)
Non-Domestic Rates are collected by billing authorities, from 1 April 1990 the amounts have been set by the Treasury. Collections nationally are paid into a central pool. This is redistributed to authorities according to resident population, via the Revenue Support Grant.

NET BOOK VALUE
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amounts provided for depreciation.

NON-OPERATIONAL ASSETS
Fixed assets held by an authority, but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets surplus to requirements held pending sale or redevelopment.

OPERATIONAL ASSETS
Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or a discretionary responsibility.

OUTTURN
This is the actual level of expenditure and income for the financial year.

PENALTY CHARGE NOTICE (PCN)
A legal notice issued as a result of a contravention of a parking regulation.

PENSION FUNDS
For the Local Government Pension Scheme, the funds that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of an employee.

PRIVATE FINANCE INITIATIVE (PFI)
PFI started in 1997/98 and offers a form of Public-Private Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector.

PRECEPT
This is the method by which the non-billing authority (Greater London Authority), obtains income to cover its net expenditure. This is calculated after deducting its own Revenue Support Grant and shares of the NNDR pool. The precept levied by the precepting authority is incorporated in the Council Tax charge. The Council has to pay over the amount demanded on an agreed time scale.

PROPERTY, PLANT AND EQUIPMENT (PPE)
Covers all tangible (physical) assets used in the delivery of services, for rental to others, or for administrative purposes, that are used for more than one year.

PROVISION
Amount set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment is uncertain.

PRUDENTIAL CODE
Prior to 2004/05, the Government closely controlled capital spending by local authorities through their borrowing. The Prudential Code frees authorities to set their own borrowing limits having regard to affordability. In order to demonstrate this has been done, and enable adherence to be monitored, authorities also have to adopt a number of appropriate 'Prudential Indicators'.

PUBLIC WORKS LOAN BOARD (PWLB)
A body, part of the Debt Management Office (a government agency) which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the national Loans Fund and rates of interest are determined by the Treasury.

RATEABLE VALUE
The Valuation Office Agency (part of HM Revenue & Customs) assesses the rateable

value of non-domestic properties. Business rate bills are set by multiplying the rateable value by the year's NNDR poundage (which is set by the government). Domestic properties no longer have rateable values instead they are assigned to one of the eight council tax valuation bands.

RELEVANT POPULATION
The population of the borough, as determined by the Secretary of State, is used to determine the borough's share of Revenue Support Grant.

RETAIL PRICE INDEX (RPI)
The measure of inflation used prior to the adoption of CPI by the Government.

REVALUATION
Recognises increases or decreases in the value of non-current assets that are not matched by expenditure on the asset; gains or losses are accounted for through the Revaluation Reserve.

REVENUE EXPENDITURE
The regular day to day running costs an authority incurs in providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFFCUS)
Expenditure which is legitimately financed from capital resources, but which does not result in, or remain matched with tangible assets.

REVENUE SUPPORT GRANT
The general grant paid by the government to local authorities to help them finance their services.

SOFT LOANS
Funds advanced at less than market rates.

TUPE
TUPE stands for Transfer of Undertakings (Protection of Employment) Regulations. These protect people when their employer changes, such as when a service is contracted out.

UNSUPPORTED BORROWING
Local Authorities can set their own borrowing levels based upon their capital need and their ability to pay for the borrowing. The borrowing costs are not supported by the Government so services need to ensure they can fund the repayment costs. The borrowing may also be referred to as Prudential Borrowing.

USABLE CAPITAL RECEIPTS
This represents the amount of capital receipts available to finance capital expenditure in future years, or to provide for the repayment of debt.

ABBREVIATIONS USED IN THE ACCOUNTS:

ABG – Area Based Grant
ACOP – Accounting Code of Practice
ALMO - Arms Length Management Organisation
APT&C - Administrative, Professional, Technical and Clerical staff
BERR – Department for Business, Enterprise and Regulatory Reform, formerly known as the DTI (Department of Trade and Industry)
BSF – Building Schools for the Future
BVACOP – Best Value Accounting Code of Practice
CIPFA - Chartered Institute of Public Finance and Accountancy
CLG – Communities and Local Government,
CPI – Consumer Price Index
DfE – Department for Education
DSG – Dedicated Schools Grant
DWP – Department for Works and Pensions
EIP – Equal Interest and Principal
EIR – Effective Interest Rate
FE – Further Education
FRS – Financial Reporting Standard
HRA – Housing Revenue Account
IFRS – International Financial Reporting Standard
LAA – Local Area Agreement
LABGI – Local Authority Business Growth Incentive Scheme
LASAAC – Local Authority (Scotland) Accounts Advisory Committee
LEP – Local Education Partnership
LETF – Local Employment and Training Framework
LGPS – Local Government Pension Scheme
LOBO – Lender's Option – Borrower's Option
LSC – Learning and Skills Council
LSP – Local Strategic Partnership
MRA – Major Repairs Allowance
MRP – Minimum Revenue Provision
NLWA – North London Waste Authority
NNDR – National Non Domestic Rates
PFI – Private Finance Initiative
PWLB – Public Works Loan Board
RICS – Royal Institution of Chartered Surveyors
RPI – Retail Price Index
RSG – Revenue Support Grant
RTB – Right to Buy
SORP – Statement of Recommended Practice
TTF – Treasury Task Force
TLR – Teachers Learning Responsibilities
TPA – Teachers' Pension Authority
UK GAAP – United Kingdom Generally Accepted Accounting Practices
VAT – Value Added Tax

SUBJECT TO AUDIT AND MEMBER APPROVAL

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